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Application Proof of

KONFOONG MATERIALS INTERNATIONAL CO., LTD.
寧波江豐電子材料股份有限公司

(the "**Company**")

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

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KONFOONG MATERIALS INTERNATIONAL CO., LTD.
寧波江豐電子材料股份有限公司

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

[REDACTED]

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

***Sole Sponsor,* [REDACTED]**

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[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 "Risk Factors." You should read that section carefully before you decide to* [REDACTED] *in the* [REDACTED].**

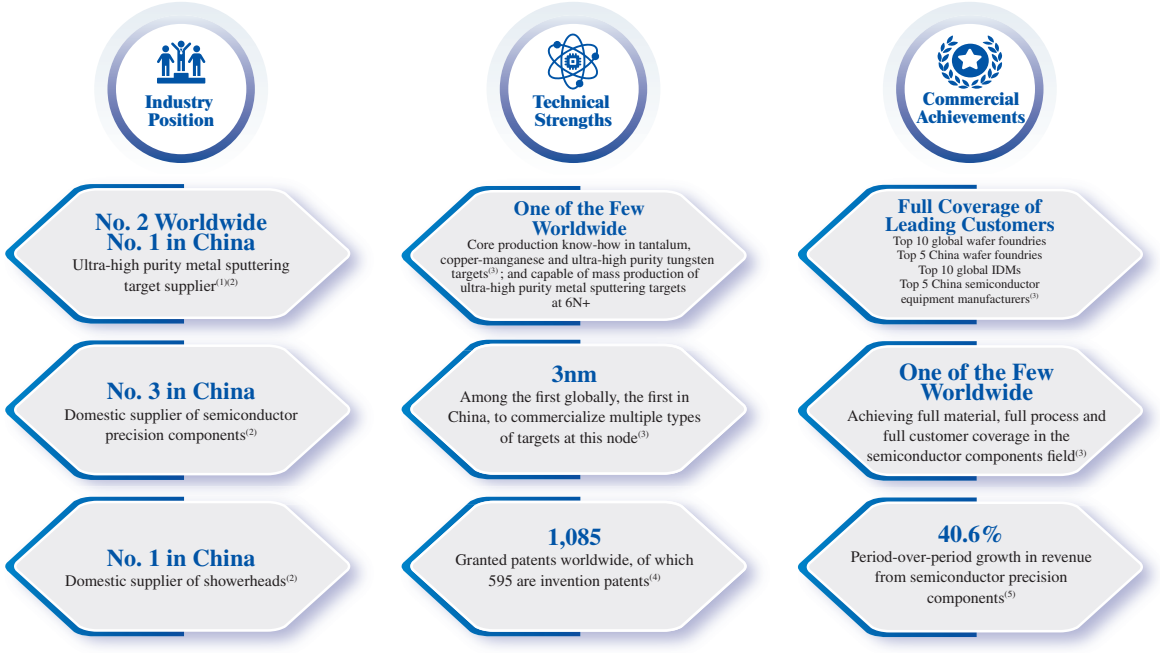
OVERVIEW

Who We Are

We are a global innovator and platform focused on core materials and critical components for the semiconductor industry. According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue in 2025. Over two decades in ultra-high purity metal sputtering targets, centered on our two key focuses of global customers and quality management, we have built three platform-based capabilities, namely materials, equipment and processes. We have extended these capabilities into semiconductor precision components and continue to expand into adjacent products and applications. As an industry innovator and leader, we offer customers across the global semiconductor industry a comprehensive product mix that covers ultra-high purity metal sputtering targets and semiconductor precision components. We support our customers' technology iteration through consistent product quality and synchronized development aligned with their process roadmaps, enabling us to capture opportunities created by the rapid development of artificial intelligence ("**AI**").

Shortly after our establishment, in 2008, we completed qualifications and began supplying ultra-high purity metal sputtering targets to Customer A, a world-leading wafer foundry headquartered in Taiwan. According to Frost & Sullivan, we are the first PRC company to be qualified by all of the world's top ten integrated device manufacturers ("**IDMs**") and top ten wafer foundries to supply ultra-high purity metal sputtering targets.

The following chart sets out the highlights of our business.



Notes:

(1) According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025

(2) According to Frost & Sullivan, based on revenue for the year ended December 31, 2025

(3) According to Frost & Sullivan

(4) As of June 30, 2026

(5) Revenue growth for the six months ended June 30, 2026 compared with the six months ended June 30, 2025

Our Products

Our products primarily consist of ultra-high purity metal sputtering targets and semiconductor precision components.

Ultra-high purity metal sputtering targets. Our targets are the core material primarily used in the PVD process. In semiconductor chip manufacturing, PVD uses high-energy ion bombardment to eject metal atoms from a target and deposit them on a wafer, forming conductive, barrier and contact-layer films. These films stay in the finished chip as its interconnects and other functional layers. Our targets are therefore critical materials that become an integral part of the chip itself. At the same time, the targets themselves are consumed during sputtering and therefore require ongoing replacement. Our product line primarily comprises five metal systems, namely aluminum, titanium, tantalum, copper and tungsten, together with corresponding alloy targets and rings.

Semiconductor precision components. Semiconductor precision components, such as showerheads, silicon electrodes, heaters and metal chambers, are components used by semiconductor equipment manufacturers during equipment manufacturing and by wafer foundries and IDMs in fabrication processes. They distribute reactant gases, control the plasma electric field and hold wafers in place, directly affecting yield and equipment stability. Semiconductor equipment manufacturers generate first-fit demand for these components in newly built equipment. Certain components are also consumed in operation and must be replaced periodically, which creates recurring replacement demand from wafer foundries and IDMs during operation and maintenance.

According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025, with a global market share of 10.3% in 2025, and our share of the global market for ultra-high purity metal sputtering targets used in semiconductor chips was 14.9% in 2025. The global ultra-high purity metal sputtering target market is highly concentrated, with the top three suppliers together holding approximately 42.8% of the market in 2025. This concentration reflects the market's exacting requirements for technical capability, customer qualification and supply at scale. According to Frost & Sullivan, in 2025, we ranked third among domestic suppliers in China's semiconductor precision components market by revenue, with a market share of 1.4%, and first among domestic suppliers in China's showerhead market.

Our Core Capabilities

Our Key Focuses

Global Customers. Having passed demanding supplier qualification processes at leading global wafer foundries and IDMs, our target products lay the groundwork for qualifying component products. Leveraging the deep trust built over years of cooperation, we offer a comprehensive product mix that covers ultra-high purity metal sputtering targets and semiconductor precision components, reducing

customers' cost of qualifying a new supplier and further strengthening our customer relationships. Our understanding of customers' technical and qualification requirements enables synchronized development from the design stage, supporting timely product launches for next-generation processes.

Quality Management. Consistent target and component quality supports wafer yield and stable mass production. We maintain batch-to-batch consistency through digital closed-loop process control, statistical process control and full-process inspection at our CNAS-accredited testing center. These capabilities and rigorous customer qualification support early entry into global supply chains for next-generation materials and components with high market potential, technical barriers and low localization rates, strengthening our platform advantages.

Our Platform-based Capabilities

Centered on our two key focuses, we have integrated six foundational technologies and established three platform-based capabilities in materials, equipment and processes. Building on this foundation, our ultra-high purity metal sputtering targets and semiconductor precision components businesses work in deep synergy to provide a comprehensive product mix covering the entire semiconductor value chain. Our three platform-based capabilities include:

Materials. We precisely control the composition and microstructure of our materials through strict process monitoring, testing and traceability, such as impurity management, grain size and crystallographic orientation control. These technologies provide a foundational understanding of material performance and mechanisms, which we reuse and extend to our semiconductor precision components business.

Equipment. Our proprietary core manufacturing equipment supports mass production across product categories. We design and lead the customized production of key equipment such as extra-large hot isostatic pressing ("**HIP**") equipment. In addition, we closely follow the advancement of downstream semiconductor chip process nodes and have deployed inspection equipment covering the entire production flow, so that our product R&D and production capabilities are upgraded in step with customer process nodes.

Processes. Target and component production share key processes, including specialized welding, precision machining, surface treatment and cleaning. We transfer the controls of batch-to-batch consistency and stability developed in target production to components, while application data from sputtering informs component material selection, structural design and coating-process matching. This creates a feedback loop spanning material preparation, component manufacturing, customer application and continuous improvement, forming platform-based process capabilities.

Our Foundational Technologies

Our core technologies for both ultra-high purity metal sputtering targets and semiconductor precision components are built on six foundational technologies, namely advanced material microstructure and performance control, ultra-precision manufacturing and inspection, specialized welding and joining, ultra-clean surface cleaning, surface modification and engineering, and microsystem control unit technologies.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success: (i) global leadership in ultra-high purity metal sputtering targets, riding AI-driven advanced-node demand; (ii) sputtering targets and semiconductor precision components: two growth engines built on shared platform capabilities; (iii) a full-chain technology moat with R&D barriers that are difficult to overcome; (iv) embedded in the supply chains of leading global customers through demanding qualification; (v) customer-focused production footprint and global service reach; and (vi) visionary leadership with deep technical expertise and seasoned R&D team. For details, see "Business — Our Strengths."

OUR STRATEGIES

We will extend our three platform-based capabilities further into core materials and critical components, following our customers' technology roadmaps. We will focus on the following strategies: (i) consolidate our global leadership in ultra-high purity metal sputtering targets; (ii) expand our precision components portfolio, deepen customer penetration and broaden our customer base; (iii) capture the electrical-to-optical shift and establish an early presence in compound semiconductor materials; (iv) expand capacity and global coverage, and strengthen local delivery and supply resilience; and (v) attract and cultivate technical and management talent, and drive growth through our culture. For details, see "Business — Our Strategies."

MANUFACTURING AND PRODUCTION

As of June 30, 2026, we had 17 domestic production bases in operation. Our ultra-high purity metal sputtering target production is concentrated in Yuyao, Ningbo and serves customers globally, while our precision component production is located close to domestic customers. We are also constructing a sputtering target production base in South Korea. Our production combines customized, multi-variety and small-batch manufacturing with automated and digitalized processes. The utilization rates of our major target products were 88.2%, 95.0%, 96.1% and 98.1% in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. Over the same periods, the utilization rates of our semiconductor precision components were 85.1%, 69.0%, 87.9% and 80.4%, respectively, reflecting capacity expansion and production-line ramp-up. For details, see "Business — Manufacturing and Production."

CUSTOMERS AND SUPPLIERS

Our customers mainly consist of global and PRC wafer foundries, IDMs, semiconductor equipment manufacturers and related service providers. In 2023, 2024 and 2025 and the six months ended June 30, 2026, revenue from our five largest customers in each year/period amounted to RMB945.8 million, RMB1,345.1 million, RMB1,563.3 million and RMB880.9 million, representing 36.4%, 37.3%, 34.0% and 32.2% of our total revenue, respectively. In the same periods, revenue generated from sales to our largest customer in each year/period amounted to RMB252.4 million, RMB327.2 million, RMB431.6 million and RMB226.7 million, respectively, representing 9.7%, 9.1%, 9.4% and 8.3% of our total revenue, respectively.

Our suppliers primarily consist of providers of metal and non-metal materials, components and auxiliary parts, and related services. In 2023, 2024 and 2025 and the six months ended June 30, 2026, purchases from our five largest suppliers in each year/period amounted to RMB828.2 million, RMB1,465.4 million, RMB1,688.1 million and RMB1,255.7 million, representing 48.6%, 53.7%, 56.0%

and 54.9% of our total purchases, respectively. In the same periods, purchases from our largest supplier in each year/period amounted to RMB308.1 million, RMB813.3 million, RMB1,010.7 million and RMB886.3 million, respectively, representing 18.1%, 29.8%, 33.5% and 38.8% of our total purchases, respectively.

Supplier A, our largest supplier in 2024, 2025 and the six months ended June 30, 2026 and our second largest supplier in 2023, is ultimately controlled by Dr. YAO Lijun. Except for Supplier A, Supplier B and Supplier G, none of our Directors, their respective associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers and suppliers in each year/period during the Track Record Period. For details, see "Business — Procurement and Supply Chain Management — Major Suppliers."

During the Track Record Period, certain of our five largest customers were also our suppliers, and certain of our five largest suppliers in each year/period were also our customers. For details, see "Business — Overlapping Customers and Suppliers."

RISK FACTORS

Our business and the **[REDACTED]** involve certain risks and uncertainties. You should read "Risk Factors" in its entirety before deciding to **[REDACTED]** in our H Shares. These risks include, among others, the following: (i) the semiconductor materials and components industry is cyclical in nature, and any downturn could reduce demand for our products and adversely affect our business, financial condition and results of operations; (ii) our ability to develop and commercialize new products, and to respond effectively to evolving technologies and changing requirements in the semiconductor materials and components industry, is subject to significant risks and uncertainties; (iii) our existing and new products are subject to lengthy and stringent customer qualification processes, and any failure to obtain or maintain qualifications or customer relationships could materially and adversely affect our business, financial condition, results of operations and prospects; (iv) we rely on a limited number of suppliers for key raw materials, which exposes us to supply concentration and related party transaction risks; (v) fluctuations in the prices of, or any shortage or disruption in the supply of, key materials could materially and adversely affect our production costs, delivery capabilities and financial condition; and (vi) disruption of our production bases, failure to execute capacity expansion and equipment upgrade plans, or failure to utilize our facilities effectively could materially and adversely affect our business, financial condition and results of operations. For details, see "Risk Factors."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following summary of consolidated financial information should be read together with, and is qualified in its entirety by reference to, the Accountants' Report in Appendix I to this document, including the accompanying notes, and "Financial Information." Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards. Our historical results are not necessarily indicative of results that may be expected in any future period.

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

The following table sets forth selected information from our consolidated statements of profit or loss and other comprehensive income for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Revenue	2,601,609	100.0	3,604,963	100.0	4,604,101	100.0	2,094,692	100.0	2,737,310	100.0
Cost of sales	(1,918,740)	(73.8)	(2,716,658)	(75.4)	(3,471,476)	(75.4)	(1,557,157)	(74.3)	(2,059,887)	(75.3)
Gross profit	**682,869**	**26.2**	**888,305**	**24.6**	**1,132,625**	**24.6**	**537,535**	**25.7**	**677,423**	**24.7**
Other income	39,592	1.5	66,894	1.9	109,885	2.4	39,513	1.9	37,811	1.4
Other gains/(losses), net	95,852	3.7	127,091	3.5	120,125	2.6	91,096	4.3	274,455	10.0
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	(17,147)	(0.7)	(26,808)	(0.7)	(11,273)	(0.2)	(2,193)	(0.1)	(22,323)	(0.8)
Selling expenses	(87,620)	(3.4)	(114,619)	(3.2)	(132,290)	(2.9)	(57,247)	(2.7)	(64,057)	(2.3)
Administrative expenses	(229,795)	(8.8)	(275,291)	(7.6)	(320,346)	(7.0)	(141,865)	(6.8)	(175,792)	(6.4)
Research and development expenses	(171,765)	(6.6)	(217,290)	(6.0)	(262,053)	(5.7)	(118,987)	(5.7)	(158,955)	(5.8)
Operating profit	**311,986**	**12.0**	**448,282**	**12.4**	**636,673**	**13.8**	**347,852**	**16.6**	**568,562**	**20.8**
Finance income	25,207	1.0	20,416	0.6	20,803	0.5	9,521	0.5	10,693	0.4
Finance costs	(27,715)	(1.1)	(53,717)	(1.5)	(84,214)	(1.8)	(40,179)	(1.9)	(54,231)	(2.0)
Finance costs, net	**(2,508)**	**(0.1)**	**(33,301)**	**(0.9)**	**(63,411)**	**(1.4)**	**(30,658)**	**(1.5)**	**(43,538)**	**(1.6)**
Share of (loss)/profit of associates, net	(23,217)	(0.9)	(7,711)	(0.2)	7,314	0.2	(1,722)	(0.1)	33,859	1.2
Profit before income tax	**286,261**	**11.0**	**407,270**	**11.3**	**580,576**	**12.6**	**315,472**	**15.1**	**558,883**	**20.4**
Income tax expense	(69,029)	(2.7)	(108,057)	(3.0)	(139,167)	(3.0)	(60,549)	(2.9)	(106,436)	(3.9)
Profit for the year/period	**217,232**	**8.3**	**299,213**	**8.3**	**441,409**	**9.6**	**254,923**	**12.2**	**452,447**	**16.5**
Profit for the year/period attributable to:										
Owners of the Company	252,270	9.7	426,099	11.8	526,612	11.4	274,742	13.1	519,744	19.0
Non-controlling interests	(35,038)	(1.3)	(126,886)	(3.5)	(85,203)	(1.9)	(19,819)	(0.9)	(67,297)	(2.5)

Revenue

During the Track Record Period, we mainly derived our revenue from sales of (i) ultra-high purity metal sputtering targets, and (ii) semiconductor precision components. We also generated revenue from other businesses, primarily including sales of spent targets, scrap materials and other materials, as well as provision of technical and cleaning services. The following table sets forth the breakdown of our revenue by business lines, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Ultra-high purity metal sputtering targets	1,672,566	64.3	2,333,453	64.7	2,849,933	61.9	1,325,137	63.3	1,670,744	61.0
Semiconductor precision components	570,121	21.9	886,702	24.6	1,083,879	23.5	458,794	21.9	645,038	23.6
Other businesses	358,922	13.8	384,808	10.7	670,289	14.6	310,761	14.8	421,528	15.4
Total	**2,601,609**	**100.0**	**3,604,963**	**100.0**	**4,604,101**	**100.0**	**2,094,692**	**100.0**	**2,737,310**	**100.0**

Our revenue increased by 38.6% from RMB2,601.6 million in 2023 to RMB3,605.0 million in 2024, and further increased by 27.7% to RMB4,604.1 million in 2025. Our revenue also increased by 30.7% from RMB2,094.7 million for the six months ended June 30, 2025 to RMB2,737.3 million for the six months ended June 30, 2026. The continued growth in our revenue during the Track Record Period was primarily due to increased sales of our ultra-high purity metal sputtering targets and semiconductor precision components. This was in turn driven by the continued expansion of downstream wafer manufacturing capacity, amid sustained demand for advanced semiconductor chips.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Ultra-high purity metal sputtering targets	441,669	26.4	667,990	28.6	945,941	33.2	408,523	30.8	489,398	29.3
Semiconductor precision components	132,558	23.3	164,847	18.6	88,921	8.2	64,163	14.0	76,524	11.9
Other businesses	108,642	30.3	55,468	14.4	97,763	14.6	64,849	20.9	111,501	26.5
Total gross profit/Overall gross profit margin	**682,869**	**26.2**	**888,305**	**24.6**	**1,132,625**	**24.6**	**537,535**	**25.7**	**677,423**	**24.7**

In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our total gross profit amounted to RMB682.9 million, RMB888.3 million, RMB1,132.6 million, RMB537.5 million and RMB677.4 million, respectively, and our overall gross profit margin was 26.2%, 24.6%, 24.6%, 25.7% and 24.7%, respectively. Our overall gross profit margin decreased slightly during the Track Record Period, primarily because our ultra-high purity metal sputtering targets business and semiconductor precision components business were at different stages of development, combined with changes in the relative revenue contribution of our three business lines.

Profit for the Year/Period

Our profit for the year increased by 37.7% from RMB217.2 million in 2023 to RMB299.2 million in 2024, and further increased by 47.5% to RMB441.4 million in 2025. Our profit for the period increased by 77.5% from RMB254.9 million for the six months ended June 30, 2025 to RMB452.4 million for the six months ended June 30, 2026. For details, see "Financial Information — Period to Period Comparison of Results of Operations."

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,			As of June 30,
	2023	2024	2025	2026
		RMB'000		
Total non-current assets	3,402,594	4,808,565	6,047,045	7,172,799
Total current assets	2,869,052	3,880,877	4,535,749	7,699,902
Total assets	6,271,646	8,689,442	10,582,794	14,872,701
Total current liabilities	1,277,368	2,741,312	3,561,637	5,309,365
Net current assets	1,591,684	1,139,565	974,112	2,390,537

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Total assets less current liabilities	4,994,278	5,948,130	7,021,157	9,563,336
Total non-current liabilities	864,471	1,520,273	2,195,224	2,379,408
Total liabilities	2,141,839	4,261,585	5,756,861	7,688,773
Net assets	4,129,807	4,427,857	4,825,933	7,183,928

Our net assets increased from RMB4,129.8 million as of December 31, 2023 to RMB4,427.9 million as of December 31, 2024, primarily attributable to our profit for the year in 2024 of RMB299.2 million, share-based payments of RMB29.4 million and vesting of restricted shares of RMB25.6 million, partially offset by dividends paid of RMB52.9 million and repurchase of shares of RMB32.0 million.

Our net assets increased from RMB4,427.9 million as of December 31, 2024 to RMB4,825.9 million as of December 31, 2025, primarily attributable to our profit for the year in 2025 of RMB441.4 million, vesting of restricted shares of RMB16.7 million and share-based payments of RMB12.7 million, partially offset by dividends paid of RMB80.9 million.

Our net assets increased from RMB4,825.9 million as of December 31, 2025 to RMB7,183.9 million as of June 30, 2026, primarily attributable to the issue of shares by private placement of RMB1,905.4 million, our profit for the six months ended June 30, 2026 of RMB452.4 million and capital contribution from non-controlling interests of RMB102.0 million, partially offset by dividends paid of RMB102.0 million.

For details of the fluctuation in key items of our consolidated statements of financial position and net current assets during the Track Record Period, see "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position."

Summary of Consolidated Statements of Cash Flows

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

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
			RMB'000		
				(Unaudited)	
Net cash generated from/(used in) operating activities	251,026	(96,330)	470,015	278,772	328,777
Net cash used in investing activities	(1,026,090)	(1,349,916)	(1,206,620)	(615,229)	(799,909)
Net cash generated from financing activities	412,794	1,607,221	633,639	503,127	2,891,917
Net (decrease)/increase in cash and cash equivalents	(362,270)	160,975	(102,966)	166,670	2,420,785
Cash and cash equivalents at beginning of the year/period	1,308,864	953,089	1,119,625	1,119,625	1,007,592
Effect of foreign exchange rate changes on cash and cash equivalents, net	6,495	5,561	(9,067)	1,991	(21,515)
Cash and cash equivalents at the end of the year/period	**953,089**	**1,119,625**	**1,007,592**	**1,288,286**	**3,406,862**

Key Financial Ratios

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

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2023	2024	2025	2026
Revenue growth rate[(1)]	N/A	38.6%	27.7%	30.7%
Net profit margin[(2)]	8.3%	8.3%	9.6%	16.5%
Return on equity (ROE)[(3)]	5.4%	7.0%	9.5%	N.M.
Current ratio[(4)]	2.2	1.4	1.3	1.5
Gearing ratio[(5)]	25.7%	60.5%	77.3%	66.9%

Notes:

(1) Revenue growth rate is calculated as the increase in revenue for the year/period divided by revenue for the previous year/period.

(2) Net profit margin is calculated as net profit for the year/period divided by revenue for the respective year/period.

(3) ROE is calculated as profit for the year/period divided by average of the opening and closing balances of total equity for the respective year/period. ROE for the six months ended June 30, 2026 is not meaningful as it is not comparable to annual ratios.

(4) Current ratio is calculated as current assets divided by current liabilities as of the relevant date.

(5) Gearing ratio is calculated based on total debt, which includes borrowings and lease liabilities, divided by total equity as of the date indicated and multiplied by 100%.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Pursuant to a voting arrangement among Dr. YAO Lijun (our chief technology officer), Jiangge Enterprise and Hongde Enterprise, Dr. YAO Lijun has the ultimate right to direct the exercise of the voting rights attached to the Shares held by Jiangge Enterprise and Hongde Enterprise. As of the Latest Practicable Date, Dr. YAO Lijun controlled an aggregate of 23.71% of the voting rights in our Company, comprising 20.65% directly held by him, 1.53% held by Jiangge Enterprise and 1.53% held by Hongde Enterprise. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the **[REDACTED]**), Dr. YAO Lijun, Jiangge Enterprise and Hongde Enterprise will remain our Single Largest Group of Shareholders, collectively holding Shares carrying approximately **[REDACTED]**% of the voting rights in our Company, all of which will remain exercisable under Dr. YAO Lijun's direction. For details, see "Relationship with Our Single Largest Group of Shareholders."

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon the **[REDACTED]**. We have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details, see "Connected Transactions."

DIVIDENDS AND DIVIDEND POLICY

Dividends of RMB54.7 million, RMB52.9 million, RMB80.9 million, RMB80.9 million and RMB102.0 million were approved and paid in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. As of the Latest Practicable Date, we had paid these dividends in full.

After the completion of the **[REDACTED]**, we may distribute dividends in such form as permitted by our Articles of Association, in cash, shares or a combination of cash and shares, or by other means as permitted by laws and regulations. Our Board will, taking into account our specific operating results, scale of profitability, cash flow position, development stage and capital requirements for the current period, and having considered the opinions of our Shareholders (in particular minority Shareholders) and independent non-executive Directors, propose an annual or interim profit distribution plan for approval by our Shareholders at a general meeting. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the relevant PRC laws. Except where we have major investment plans or major cash expenditure arrangements, we will in principle distribute dividends at least once in each financial year where we are profitable for that year and our accumulated undistributed profits are positive. Our annual cash dividends will be no less than 20% of our distributable profits for that year, and the cumulative cash dividends distributed over the most recent three years will be no less than 30% of the average annual distributable profits over such period. Our Board may also formulate an interim dividend plan based on the conditions and limits approved at the annual general meeting.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: (i) making up for losses carried forward from prior years; (ii) allocations to the statutory surplus reserve equivalent to 10% of our profit after tax (no further allocation is required once the cumulative balance has reached 50% of our registered capital); and (iii) allocations to a discretionary surplus reserve as approved by our Shareholders at a general meeting. After such allocations, the remaining distributable profits will be distributed to our Shareholders in proportion to their respective shareholdings, unless otherwise provided in our Articles of Association.

[REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of the indicative **[REDACTED]** range, and that the **[REDACTED]** is not exercised, we estimate that the **[REDACTED]** from the **[REDACTED]** will be approximately HK$**[REDACTED]**, after deducting **[REDACTED]** and other fees and expenses payable by us. We intend to use the **[REDACTED]** as follows: (i) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for capacity expansion and new product commercialization; (ii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for ongoing R&D to maintain our technological and market leadership; (iii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for strategic investments and/or acquisitions; and (iv) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for working capital and general corporate purposes. For details, see "Future Plans and **[REDACTED]**."

SUMMARY

[REDACTED]

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE

Our A Shares have been listed on the ChiNext Market of the Shenzhen Stock Exchange since June 2017. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no instances of material non-compliance with the applicable Shenzhen Stock Exchange rules and PRC securities laws and regulations, and no material matter relating to that compliance record should be brought to **[REDACTED]** attention. We seek a **[REDACTED]** to access international capital markets, and further implement our globalization strategy. For details, see "History and Corporate Structure — Listing on the Shenzhen Stock Exchange and Reasons for the **[REDACTED]** on the Stock Exchange."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In July 2026, through the acquisition of control of Kaide Quartz, we expanded our portfolio of quartz components, further strengthening our presence in non-metallic component categories. For details, see "History and Corporate Structure — Major Acquisitions, Disposals and Mergers." In September 2026, Kaide Quartz proposed to issue not more than 4,950,000 new shares to specific investors, raising gross proceeds of not more than RMB99.0 million. The proceeds will be used mainly for a production project for high-purity quartz products for compound semiconductors. As of the Latest Practicable Date, the issuance remained subject to review by the Beijing Stock Exchange and registration with the CSRC. We expect to retain control over Kaide Quartz after completion of the issuance.

We are a public company listed on the Shenzhen Stock Exchange, and are required to disclose unaudited quarterly financial statements under the relevant PRC securities laws and regulations. On October 29, 2026, we published the interim financial information of the nine months ended September 30, 2026, which was prepared in accordance with the China Accounting Standards for Business Enterprises. You may refer to our published interim financial information for the nine months ended September 30, 2026 at **https://static.cninfo.com.cn/finalpage/2026-10-29/1225637780.PDF**.

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report in Appendix I to this document, and there is no event since June 30, 2026 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DEFINITIONS

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

"A Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"A-Share Listing"	listing of A Shares of our Company on the ChiNext Market of the Shenzhen Stock Exchange under the stock code 300666 in June 2017
"Accountants' Report"	the accountants' report of our Group for the Track Record Period, as set out in Appendix I to this document
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company adopted on October 30, 2026, which will become effective upon the **[REDACTED]** and as amended from time to time, a summary of which is set out in Appendix III to this document

[REDACTED]

"Audit Committee"	the audit committee of the Board
"Beijing Konfoong"	Beijing Konfoong Materials International Co., Ltd. (北京江豐電子材料有限公司), a PRC company established on August 22, 2019, and a 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 on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate

[REDACTED]

[REDACTED]

"China," "the PRC" or "Chinese Mainland"	the People's Republic of China, excluding, for the purpose of this document only, Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan Region
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended from time to time
"Company" or "our Company"	Konfoong Materials International Co., Ltd. (寧波江豐電子材料股份有限公司) (formerly known as Ningbo Konfoong Electronic Materials Company Limited (寧波江豐電子材料有限公司)), a PRC company established on April 14, 2005, the A Shares of which have been listed on the Shenzhen Stock Exchange (SZSE: 300666)
"Compliance Advisor"	Red Solar Securities (International) Limited
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

[REDACTED]

"Director(s)" or "our Director(s)"	the director(s) of our Company
"EAR"	the Export Administration Regulations, administered by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**"), which regulate the export, reexport and in-country transfer of items subject to the EAR, including U.S.-origin items, certain foreign-made items incorporating controlled U.S. content, and certain foreign-produced direct products of U.S. technology or software

"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended from time to time
"Entity List"	a trade restriction list published by the BIS, comprising certain foreign persons, entities or governments reasonably believed to be involved, or to pose a significant risk of involvement, in activities contrary to U.S. national security or foreign policy interests
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong

[REDACTED]

"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and Independent Third Party, which prepared the F&S Report
"F&S Report"	an independent market research report prepared by Frost & Sullivan for the purpose of this document

[REDACTED]

"Group," "our Group," "our," "we" or "us"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Konfoong"	Guangdong Konfoong Materials International Co., Ltd. (廣東江豐電子材料有限公司), a PRC company established on January 2, 2019, and a wholly-owned subsidiary of our Company
"H Share(s)"	ordinary share(s) **[REDACTED]** by our Company, with a nominal value of RMB1.00 each, which are to be **[REDACTED]** and **[REDACTED]** in Hong Kong dollars and **[REDACTED]** on the Stock Exchange

[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
"Hong Kong Konfoong"	Konfoong Materials (HK) Co., Limited (江豐電子材料(香港)股份有限公司), a Hong Kong company established on November 25, 2014, and a wholly-owned subsidiary of our Company

[REDACTED]

"Hongde Enterprise"	Ningbo Hongde Enterprise Investment Partnership (Limited Partnership) (寧波宏德實業投資合夥企業(有限合夥)), a PRC limited partnership established on December 1, 2011, which is a member of our Single Largest Group of Shareholders and an employee shareholding platform of our Group

"Hot Isostatic Pressing"	Ningbo Konfoong Hot Isostatic Pressing Technology Co., Ltd. (寧波江豐熱等靜壓技術有限公司), a PRC company established on May 4, 2018, and a subsidiary of our Company
"Hunan Konfoong Group"	Hunan Konfoong Technology Industry Group Co., Ltd. (湖南江豐科技產業集團有限公司), a PRC company established on May 13, 2022, and a wholly-owned subsidiary of our Company
"IFRS"	the International Financial Reporting Standards as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies) who, to the best of our Directors' knowledge, information and belief, are not our connected persons

[REDACTED]

"International Sanctions Legal Advisor"	King & Wood, the legal advisor to our Company as to international sanctions law

[REDACTED]

"Jiangge Enterprise"	Ningbo Jiangge Enterprise Investment Partnership (Limited Partnership) (寧波江閣實業投資合夥企業(有限合夥)), a PRC limited partnership established on December 1, 2011, which is a member of our Single Largest Group of Shareholders and an employee shareholding platform of our Group

"Jiaxing Konfoong"	Jiaxing Konfoong Materials Co., Ltd. (嘉興江豐電子材料有限公司), a PRC company established on November 22, 2021, and a wholly-owned subsidiary of our Company
"Kaide Quartz"	Beijing Kaide Quartz Co., Ltd. (北京凱德石英股份有限公司) (BSE: 920179), a PRC company established on January 15, 1997, which became our subsidiary in July 2026
"KFAM"	KFAM CO., LTD., a South Korean company established on October 31, 2023, and a wholly-owned subsidiary of our Company
"KFMI JAPAN"	KFMI JAPAN Co., Ltd. (KFMI JAPAN株式會社), a Japanese company established on May 7, 2018, and a wholly-owned subsidiary of our Company
"Konfoong X-Creative"	Ningbo Konfoong X-Creative International Co., Ltd. (寧波江豐芯創科技有限公司), a PRC company established on July 1, 2019, and a subsidiary of our Company
"Latest Practicable Date"	November 4, 2026, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

"Listing Guide" or "Guide for New Listing Applicants"	the Guide for New Listing Applicants as published by the Stock Exchange, as amended from time to time
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Ningbo Jingpan Electronic"	Ningbo Jingpan Electronic Materials Co., Ltd. (寧波晶磐電子材料有限公司), a PRC company established on September 19, 2024, and a wholly-owned subsidiary of our Company
"Ningbo Semiconductor"	Konfoong Semiconductor Technology Co., Ltd. (寧波江豐半導體科技有限公司), a PRC company established on September 26, 2016, and a wholly-owned subsidiary of our Company
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

"Overseas Listing Trial Measures"	Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), as amended from time to time

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行)
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Legal Advisor"	Grandall Law Firm (Shanghai), the legal advisor to our Company as to the laws of the PRC

[REDACTED]

"Primary Sanctioned Activity"	any activity in a Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by an applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law or regulation, as defined in Chapter 4.4 of the Guide for New Listing Applicants

[REDACTED]

"R&D"	research and development

[REDACTED]

"Relevant Jurisdiction"	any jurisdiction that is relevant to the listing applicant and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation, as defined in Chapter 4.4 of the Guide for New Listing Applicants
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Accountants"	BDO Limited, our reporting accountants and independent auditor
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the 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)

"Sanctioned Country"	any country or territory that is subject to a general and comprehensive export, import, financial or investment embargo under the sanctions-related laws or regulations of the Relevant Jurisdiction, as defined in Chapter 4.4 of the Guide for New Listing Applicants
"Sanction Guidance"	Chapter 4.4 (Sanctions Risks) of the Guide for New Listing Applicants issued by the Stock Exchange, as amended or supplemented from time to time
"Sanctioned Target"	any person or entity that: (i) is designated on the SDN List or any list of targeted persons or entities issued under the sanctions-related laws or regulations of a Relevant Jurisdiction; (ii) is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) is the target of sanctions under the laws or regulations of a Relevant Jurisdiction by reason of a relationship of ownership, control or agency with any person or entity described in (i) or (ii), as defined in Chapter 4.4 of the Guide for New Listing Applicants
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SDN List"	the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, which includes individuals and entities whose assets are blocked and with whom U.S. persons are generally prohibited from dealing
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended 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 from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Konfoong"	Shanghai Konfoong Materials Co., Ltd. (上海江豐電子材料有限公司), a PRC company established on August 31, 2021, and a wholly-owned subsidiary of our Company
"Shanghai Ruisheng"	Ruisheng Semicon Tech (Shanghai) Co., Ltd. (上海睿昇半導體科技有限公司), a PRC company established on September 10, 2020, and a subsidiary of our Company
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and upon **[REDACTED]**, H Shares
"Shareholder(s)"	holder(s) of our Share(s)

[REDACTED]

"Single Largest Group of Shareholders"	Dr. YAO Lijun (姚力軍) (the chief technology officer of our Company), Jiangge Enterprise and Hongde Enterprise

[REDACTED]

"Sole Sponsor"	the sole sponsor as named in "Directors and Parties Involved in the **[REDACTED]**"

[REDACTED]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy and Sustainability Committee"	the strategy and sustainability committee of the Board

[REDACTED]

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended from time to time
"Track Record Period"	the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026
"U.S. dollars," "US$" or "USD"	United States dollars, the lawful currency of the United States

[REDACTED]

[REDACTED]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

[REDACTED]

"VAT"	value added tax

[REDACTED]

"Wuhan Konfoong"	Wuhan Konfoong Materials Co., Ltd. (武漢江豐電子材料有限公司), a PRC company established on November 12, 2019, and a wholly-owned subsidiary of our Company
"%"	per cent

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

DEFINITIONS

In this document the terms "associate(s)," "close associate(s)," "connected person(s)," "core connected person(s)," "connected transaction(s)," "subsidiary(ies)," "substantial shareholder(s)" and "treasury share(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires. The terms "BSE," "SEHK," "SSE," "SZSE" and "NASDAQ" are abbreviations for the Beijing Stock Exchange, The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Nasdaq Stock Market, respectively. Abbreviations for academic degrees and professional qualifications used in this document shall have their usual meanings, such as "Ph.D." for Doctor of Philosophy.

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"3D NAND"	three-dimensional NAND flash memory, a type of non-volatile memory in which memory cells are stacked vertically in multiple layers to increase storage density
"4N", "5N" and "6N"	purity grades indicating 99.99%, 99.999% and 99.9999% purity, respectively
"advanced packaging"	a set of semiconductor packaging technologies that integrate chips and components through high-density interconnect structures to improve performance, functionality and package density
"ALD"	atomic layer deposition, a thin-film deposition process in which a substrate is sequentially exposed to gaseous precursors to form highly uniform and conformal material layers
"barrier layer"	a thin material layer used to limit diffusion between adjacent materials and maintain the reliability of semiconductor interconnect structures
"compound semiconductor"	a semiconductor material formed from two or more chemical elements, such as indium phosphide and gallium nitride, and used as a substrate material for optoelectronic and other semiconductor applications
"CPO"	co-packaged optics, an optical interconnect technology that closely integrates optical and electronic components to increase bandwidth density and reduce power consumption
"CVD"	chemical vapor deposition, a thin-film deposition process in which one or more compounds containing film-forming elements chemically react in the gas phase and deposit a solid thin film on a substrate
"diffusion bonding"	a solid-state joining process in which materials are bonded through atomic diffusion across their interface under controlled heat and pressure without melting the bulk materials
"DRAM"	dynamic random access memory, a type of volatile semiconductor memory that stores data for active use and requires periodic refreshing

GLOSSARY OF TECHNICAL TERMS

"electrostatic chuck"	a semiconductor equipment component that secures and flattens a wafer through electrostatic attraction while supporting temperature control during processing
"etching"	a semiconductor manufacturing process in which unwanted material is selectively removed from the surface of a silicon wafer by chemical or physical methods to reproduce a mask pattern
"GaN"	gallium nitride, a compound semiconductor material used in optoelectronic and other advanced semiconductor applications
"HBM"	high-bandwidth memory, a type of advanced memory technology that provides high data-transfer bandwidth for AI and other high-performance computing applications
"HCM"	hollow cathode magnetron, a magnetron configuration used in physical vapor deposition applications for metal thin-film deposition
"high-vacuum precision valve"	a semiconductor equipment component that isolates and regulates process-gas and vacuum paths while maintaining precise pressure and flow control, leak-tightness and cleanliness
"HIP"	hot isostatic pressing, a manufacturing process in which a product is placed in a sealed vessel and subjected simultaneously to uniform pressure in all directions and high temperature to sinter and densify the product
"IDM"	integrated device manufacturer
"InP"	indium phosphide, a compound semiconductor material used in optoelectronic and other advanced semiconductor applications
"metallization"	a semiconductor manufacturing process in which metal thin films and conductive pathways are formed on or within a semiconductor wafer or package
"optical interconnect"	a data-transfer technology that uses optical signals rather than conventional electrical connections to provide higher bandwidth density and lower power consumption
"ppb"	parts per billion, a concentration unit equal to one part of a substance in one billion parts of the total
"process node"	a generation of semiconductor manufacturing technology, commonly expressed in nanometers, that indicates the scale and technical requirements of chip fabrication processes

GLOSSARY OF TECHNICAL TERMS

"PVD"	physical vapor deposition, a thin-film deposition process in which a material is physically vaporized under vacuum and deposited through a low-pressure gas or plasma process onto a substrate to form a thin film with specified functions
"PVT"	physical vapor transport, a single-crystal growth method in which material is transported in vapor form to a growth region and crystallizes on a seed or growth surface
"quartz component"	a semiconductor precision component made from quartz glass and used in semiconductor manufacturing equipment and process environments
"RDL"	redistribution layer, a conductive layer used in advanced packaging to reroute a chip's input and output connections and support higher-density interconnection
"RTP"	rapid thermal processing, a semiconductor manufacturing process in which wafers are heated rapidly for short periods to achieve controlled thermal treatment
"semiconductor precision components"	high-precision metallic or non-metallic components installed in semiconductor manufacturing equipment or used in production-line maintenance to support process control, equipment stability and wafer-processing performance
"showerhead(s)"	a semiconductor equipment component that introduces and distributes process gases uniformly across wafer and process surfaces, stabilizing gas-flow, plasma and reaction conditions
"silicon electrode"	a semiconductor precision component made from silicon and installed in semiconductor etch equipment to help control the plasma electric field during wafer processing
"sputtering"	a physical vapor deposition process in which a high-energy ion beam bombards a solid target, causing surface atoms to be ejected and deposited on a substrate
"sputtering target"	a target material bombarded by a high-energy ion beam during sputtering and used as the raw material for thin-film deposition
"TSV"	through-silicon via, a vertical electrical connection that passes through a silicon wafer or die and supports three-dimensional chip integration in advanced packaging
"ultra-high purity metal sputtering target"	an ultra-high purity metal material used as the source in physical vapor deposition to form metal thin films for semiconductor wafer fabrication and advanced packaging
"wafer"	a silicon substrate used in the fabrication of integrated circuits and typically circular in shape

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "might," "ought to," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, business partners, suppliers and other partners;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industries and markets in which we operate or into which we intend to expand;
- our proposed **[REDACTED]**;

- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations relating to industries which we operate in;
- certain statements in this document with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- various uncertainties described in the "Risk Factors;" and
- other statements in this document that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

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

An* [REDACTED] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to* [REDACTED] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the* [REDACTED] *of the H Shares could decline, and you may lose all or part of your* [REDACTED]*. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The semiconductor materials and components industry is cyclical in nature, and any downturn could reduce demand for our products and adversely affect our business, financial condition and results of operations.

The semiconductor materials and components industry is cyclical, with periods of rapid growth followed by contractions in demand driven by end-market conditions, technology adoption, inventory levels and macroeconomic factors. During a downturn, our customers may delay or cancel capacity expansion projects, slow product qualification, reduce orders, adjust inventories or pressure us to reduce prices. A downturn could also reduce utilization of our production capacity, increase unit costs and compress gross profit margins. The timing, duration and severity of industry cycles are unpredictable.

Our products are mainly sold to wafer foundries, integrated device manufacturers ("**IDMs**") and semiconductor equipment manufacturers, and demand for our products is affected by the end markets they serve, including AI infrastructure, consumer electronics, communications, automotive electronics, and industrial automation. Any slowdown, pricing pressure, technology or customer preference shifts, macroeconomic weakness or inventory adjustments in these end markets are beyond our control and may reduce demand for our products and adversely affect our customers' production volumes, capital expenditure and purchasing decisions. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We operate in competitive markets, and if we are unable to compete effectively, our business, results of operations and prospects could be materially and adversely affected.

We face significant competition from domestic and international competitors in the semiconductor materials and components markets. Competition may intensify as existing competitors expand, new entrants emerge and technological developments reshape the market. Competitors may offer comparable products at lower prices, develop alternative materials or manufacturing processes, or respond more quickly to changing customer requirements. We must continue to invest in R&D, strengthen our production and technical capabilities, maintain product quality and consistency, and complete customer qualification processes to remain competitive.

Many of our competitors, particularly established multinational companies, have greater financial, technical and marketing resources and may invest more heavily in R&D, offer more aggressive pricing or benefit from greater scale and bargaining power. If we are unable to compete effectively, we may

lose market share, experience margin compression or fail to realize anticipated growth opportunities. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to develop and commercialize new products, and to respond effectively to evolving technologies and changing requirements in the semiconductor materials and components industry, is subject to significant risks and uncertainties.

Our future growth depends in part on our ability to develop and commercialize new semiconductor materials and components that meet the evolving specifications of our customers. New products that perform well in our laboratory may fail to achieve consistent results in volume manufacturing, or may require significant additional development to meet stringent purity and performance requirements. Even where a product is technically viable, commercialization at scale requires us to achieve acceptable production yields, secure reliable sources of raw materials and invest in additional manufacturing capacity, all of which entail significant lead times and capital expenditure. Our ability to generate revenue from new products is further contingent upon obtaining customer qualification and certification. There can be no assurance that our new products will be qualified by target customers, that qualified products will be ordered in commercially significant volumes, or that we will be able to recoup our R&D investment within the timeframe we anticipate.

The semiconductor materials and components industry is characterized by rapid technological change, including the continued migration to advanced process nodes, increasingly stringent purity specifications and the emergence of new device structures and packaging architectures. These developments directly affect the specifications and performance requirements for our products, and technology transitions can render existing products obsolete or significantly reduce their value. For example, shifts in interconnect metallization, changes in barrier layer materials or the adoption of new deposition techniques could reduce demand for certain of our existing products. To remain competitive, we must continuously invest in process development and work closely with our customers to anticipate and respond to their changing needs; however, there can be no assurance that we will correctly identify future technology trends or develop the capabilities necessary to address them.

If we fail to develop or commercialize new products in a timely and cost-effective manner, or fail to anticipate and adapt to technological changes affecting our industry, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our existing and new products are subject to lengthy and stringent customer qualification processes, and any failure to obtain or maintain qualifications or customer relationships could materially and adversely affect our business, financial condition, results of operations and prospects.

Our semiconductor materials and components must undergo rigorous qualification and certification before customer adoption, typically spanning two to three years and involving extensive testing of product purity, uniformity, performance and compatibility with customers' specific manufacturing processes. The qualification process imposes substantial costs, requiring us to allocate engineering resources, provide sample materials at our expense and dedicate production capacity to qualification trials over extended periods without any assurance of eventual commercial orders. If a customer determines that our product does not meet its requirements, we may be excluded as a supplier for the relevant product, node or technology generation, which can last several years. Customers may also require re-qualification if we change our manufacturing processes, raw material sources or

production facilities, further extending the timeline for commercialization. Many of our products are customized based on customers' technology roadmaps, process conditions, performance indicators and application scenarios, which typically involve longer development cycles, more complex validation procedures and slower adoption, and may have limited applicability across customers. Given the concentrated nature of the semiconductor materials and components industry, the loss of a qualification with even a single major customer could have a disproportionate impact on our revenue.

Our business model depends on long-term relationships with wafer foundries, IDMs and semiconductor equipment manufacturers, and our customers are generally reluctant to switch suppliers due to the risks of yield fluctuation, process instability and substantial switching costs. Maintaining these relationships requires extensive application engineering, technical support and reliable delivery of products that meet customer specifications within agreed timeframes. We have expanded and are further expanding into the semiconductor components market and seek to sell additional product categories to our existing customer base. However, new product categories may require separate qualification processes, and our existing relationships for semiconductor materials may not translate into orders for precision components. If we fail to develop, qualify and commercialize such products in a timely manner, or if existing customers do not adopt them, we may not realize the anticipated benefits of our cross-selling strategy.

Any failure to fulfill orders accurately and on time, any deterioration in our product quality, consistency or purity, or any failure to maintain the required level of technical support could damage our reputation, cause customers to revoke our qualification status, reduce their orders or seek alternative suppliers. The loss of existing customers would be difficult and costly to replace given the long qualification cycles involved. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on a limited number of suppliers for key raw materials, which exposes us to supply concentration and related party transaction risks.

Our production of semiconductor materials and components requires a reliable supply of metal and non-metal materials, components and auxiliary parts, and related services. During the Track Record Period, our five largest suppliers in each year/period accounted for 48.6%, 53.7%, 56.0% and 54.9% of our total purchases in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively, while our largest supplier in each year/period accounted for 18.1%, 29.8%, 33.5% and 38.8% of our total purchases for the same periods. The number of suppliers capable of providing metals that meet our stringent requirements is limited. In addition, purchases from Supplier A accounted for 17.5%, 29.8%, 33.5% and 38.8% of our total purchases in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. Supplier A is ultimately controlled by Dr. YAO Lijun, our substantial shareholder. For details, see "Business — Procurement and Supply Chain Management — Major Suppliers." We have implemented policies and procedures to ensure that related party transactions are conducted on arm's length terms and in the ordinary course of business; however, there can be no assurance that these arrangements will not give rise to actual or perceived conflicts of interest.

If any of our key suppliers were unable to deliver raw materials of the required purity, in the required volumes or within agreed timeframes, our production schedules could be affected and deliveries to our customers could be delayed. If we were required to qualify alternative suppliers, the qualification process could be time-consuming and costly, and there can be no assurance that replacement suppliers would be able to meet our specifications. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in the prices of, or any shortage or disruption in the supply of, key materials could materially and adversely affect our production costs, delivery capabilities and financial condition.

Material costs constitute a substantial portion of our cost of sales, representing 66.7%, 65.8%, 67.9% and 68.1% of our total cost of sales in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. The prices of these key raw materials are subject to fluctuations driven by global supply and demand dynamics, geopolitical developments, currency movements and speculative trading activity in commodity markets. We generally do not enter into long-term fixed-price supply contracts for our key raw materials, and our procurement costs therefore fluctuate with prevailing market prices.

We may not be able to pass raw material cost increases through to customers due to competitive pressures and, in some cases, the terms of our customer arrangements. Certain metals are subject to supply constraints arising from geographic concentration of mining and refining capacity, and ultra-high purity requirements significantly limit the number of qualified suppliers available to us. The refining of these metals to the ultra-high purity levels required for semiconductor applications is performed by a small number of specialized processors worldwide, creating vulnerability to geopolitical instability, trade restrictions, transportation bottlenecks, natural disasters and regulatory changes affecting mining and refining operations. Qualifying alternative suppliers may take a considerable amount of time. We maintain certain inventory buffers to mitigate short-term supply disruptions, but these buffers may not be sufficient to cover extended periods of supply shortage. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any disruption of our current production bases or failure to successfully execute our production capacity expansion and equipment upgrade plans or failure to effectively utilize our production facilities may have a material adverse effect on our business, financial condition and results of operations.

As of June 30, 2026, we had 17 domestic production bases in operation. If we experience any unanticipated situation that forces us to shut down a production base, our production would be severely disrupted. Catastrophic events could also destroy inventory located at our production bases. The occurrence of any such event could result in the temporary or long-term closure of a production base, severely disrupt our operations and materially and adversely affect our results of operations and financial condition. For details, see "— We face risks related to natural disasters, public health emergencies and other force majeure events."

To scale up our production capacity, we may expand our production facilities and upgrade equipment from time to time, including the production bases currently under construction in Chinese Mainland and South Korea. Expansion of our production facilities and upgrading of equipment require significant upfront capital investment, and it may take considerable time before such facilities or equipment reach their expected capacity or breakeven point. Our capacity construction plans are also subject to interruptions commonly associated with large construction projects, such as insufficiency of capital, failure to obtain requisite regulatory approvals, adverse weather, natural disasters, accidents and other factors beyond our control. There can be no assurance that such plans will be successfully implemented as scheduled or will be commercially successful. Once new capacity comes online, the associated depreciation and amortization expenses will increase our fixed cost base regardless of actual production volumes. If market conditions deteriorate, customer demand does not materialize as anticipated or we are unable to qualify new capacity with our customers in a timely manner, our production facilities may operate at lower-than-expected utilization rates, resulting in unabsorbed fixed costs that could compress our margins.

In addition, we are further expanding our production footprint globally, which may expose us to additional operational, logistical, environmental and regulatory risks associated with managing overseas production, and we may incur additional costs in operating production facilities globally. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects. For details, see "— We face uncertainties and risks in overseas manufacturing and operations."

We may not be able to successfully execute our growth strategies or manage the associated challenges in new and evolving business areas.

As part of our long-term growth strategy, we have expanded and are further expanding into the semiconductor precision components market and other new materials beyond our established ultra-high purity metal sputtering targets business. The production of these products requires different technical, process and production capabilities, including different precision machining, cleaning, surface treatment and quality control processes and, in certain cases, dedicated production lines and separate customer qualifications. We have limited experience and a limited track record in developing and manufacturing these products compared to our established products, which may not provide a meaningful basis on which to evaluate our business.

We cannot assure you that we will be able to expand and upgrade our R&D capabilities, hire and retain qualified personnel, implement adequate systems, procedures and controls, or allocate resources effectively to support our expanding operations and address future demand across different product categories. As we enter new product markets, we will also encounter new competitors that may offer comparable products of better quality or on a more cost-efficient basis. If we are unable to manage our growth or compete in the markets for our new products effectively, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our products must meet stringent purity and quality requirements. Any failure in quality control could result in product recalls, customer claims and damage to our reputation.

Our semiconductor materials and components are used in the manufacture of semiconductors and other advanced technology products, where even trace levels of contamination can result in device defects and yield losses. Our products must meet ultra-high purity requirements and must exhibit consistent performance across production batches. Maintaining these standards requires rigorous quality control throughout our manufacturing processes.

Any failure in our quality control processes could result in products that do not meet customer specifications, causing wafer yield losses or scrapping of partially processed wafers and exposing us to product recall obligations, warranty claims, contractual penalties and compensation demands. A widely known quality failure could undermine customer confidence, impair our ability to retain existing customers or qualify with new ones and damage our reputation. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face operational and safety risks inherent in our manufacturing processes, which involve high-temperature operations, special gases and hazardous materials.

Our manufacturing processes create inherent risks of fires, explosions, chemical spills, equipment malfunctions and exposure of workers to harmful substances. An accident at any production facility could cause personal injury, property damage, environmental contamination, production disruption and significant liabilities, regulatory penalties and reputational harm.

We are also subject to increasingly stringent environmental and workplace safety regulations in the PRC and other jurisdictions in which we operate. Compliance with these regulations requires ongoing investment in safety equipment, training and monitoring systems, and any failure to comply could result in fines, production suspensions or the revocation of operating permits. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Evolving ESG, climate and carbon-related laws, regulations, disclosure obligations and stakeholder expectations may increase our costs and expose us to compliance and market-access risks.

We are subject to evolving domestic and overseas laws, regulations and disclosure obligations relating to environmental, social and governance matters, climate change, carbon emissions, energy conservation and chemicals. Following the **[REDACTED]**, we will also be subject to increased climate-related disclosure obligations in Hong Kong. Compliance may require additional systems, data collection, audits, disclosure, equipment and other expenditure and may divert management time and resources.

Our customers, investors and other stakeholders may increasingly require information about our carbon emissions, product carbon footprint and supply-chain practices and may prefer low-carbon products and suppliers. If we cannot meet applicable requirements or provide reliable carbon-footprint data, we may lose orders, face barriers to market access or incur remediation costs and reputational harm. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face uncertainties and risks in overseas manufacturing and operations.

We are building a manufacturing facility in South Korea and are planning other overseas production bases as part of our strategy to establish overseas manufacturing capabilities closer to key customers and to diversify our production base. We may continue to build or acquire overseas manufacturing bases in the future. The construction and operation of our overseas manufacturing bases are subject to various risks and uncertainties, including but not limited to: (i) political and economic instability, (ii) lack of familiarity with local laws, regulatory requirements and industry standards, (iii) potential differences in environmental, construction and other standards between overseas jurisdictions and the PRC, (iv) risk of legal proceedings in foreign jurisdictions, (v) potential failure to achieve the expected returns from investing in manufacturing bases, and (vi) difficulties and costs of staffing and managing overseas operations.

As a company with overseas operations, our success depends, in part, on our ability to manage these risks. The above-mentioned risks vary from country to country and are difficult to predict. We may not be able to develop and implement initiatives that address these risks effectively in each region

in which we conduct business, and there can be no assurance that risks we may face as we expand our overseas manufacturing and operations will not adversely affect our reputation, business, results of operations, financial condition and prospects.

If we are unable to protect or promote our brand and reputation, our business may be materially and adversely affected.

Our brand and reputation are important competitive assets in the semiconductor materials and components industry, where customers place a high premium on supplier reliability, product quality and technical capability. We have invested significant resources in building our brand recognition among wafer foundries, IDMs and semiconductor equipment manufacturers in both the PRC and international markets. However, our brand and reputation could be damaged by a range of factors, including product quality failures, delivery delays, negative publicity, disputes with customers or suppliers, regulatory enforcement actions and the actions of our employees or business partners.

In addition, we compete for customer recognition against established multinational companies that have longer operating histories, larger marketing budgets and more extensive global brand presence. Our ability to promote our brand in international markets is constrained by our relatively shorter track record outside the PRC and by the inherent challenges of building brand awareness in markets where incumbent suppliers have deep customer relationships. Any failure to maintain and enhance our brand and reputation could impair our ability to attract new customers, retain existing customers and recruit talented employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on third parties to provide logistics and warehousing services for our business. If these third parties fail to provide reliable and timely services, our business, financial condition and results of operations may be adversely affected.

We face complex environments in relation to logistics and warehousing, and therefore we engage competent suppliers to provide related services. The operations of these suppliers may be affected by various factors such as improper management, equipment breakdowns, commercial disputes, labor shortages or strikes and natural disasters. If any of these service providers fails to provide reliable and timely services, or the price of such services increases significantly, the supply of our products may be interrupted or our logistics or warehousing costs may increase. In addition, we may not be able to identify suitable alternative service providers in a timely manner, which could adversely affect our business, financial condition and results of operations.

We have entered into, and may continue to pursue, acquisitions, strategic alliances, joint ventures and other investments, which involve risks and uncertainties and may not realize the expected benefits.

As part of our growth strategy, we have pursued and may continue to pursue acquisitions, strategic alliances, joint ventures and other investments to expand our product capabilities, customer base, geographic reach and technology portfolio. For example, we acquired control of Kaide Quartz in July 2026. For details, see "History and Corporate Structure — Major Acquisitions, Disposals and Mergers." These transactions involve significant risks and uncertainties, including difficulties in identifying suitable targets or partners, the possibility of overpaying for acquired businesses or assets, challenges in conducting thorough due diligence in a competitive bidding environment, and the risk that anticipated synergies or strategic benefits may not materialize.

The integration of acquired businesses or assets can be complex and resource-intensive. We may encounter difficulties in integrating the operations, technologies, personnel and corporate cultures of acquired entities with our own, which could disrupt our existing operations and divert management attention from our core business. Acquisitions may also result in us assuming known or unknown liabilities, including potential product quality issues, customer disputes, environmental obligations and tax exposures, which could adversely affect our financial condition.

In the case of joint ventures and strategic alliances, we may be required to share control with our partners and may have limited ability to direct the operations and strategy of the venture. Disagreements with our partners regarding the management, financing or direction of a joint venture could impair its operations and the value of our investment. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Competition for highly skilled personnel in the semiconductor materials and components industry is intense, and rising labor costs may adversely affect our business, financial condition, results of operations and prospects.

Our success depends on our ability to attract, develop and retain highly skilled personnel, particularly in the specialized fields of ultra-high purity metallurgy, semiconductor materials manufacturing, materials science, process engineering and application engineering. Competition for such talent is intense, both within the semiconductor materials and components industry and from the broader semiconductor and advanced manufacturing sectors. Many of our competitors, particularly established multinational companies, have greater financial resources to offer competitive compensation packages and more established employer brands. The loss of key management, technical or engineering personnel, or our inability to recruit qualified replacements in a timely manner could impair our ability to execute our business strategy, develop new products, maintain product quality and provide the level of technical service that our customers require.

Our operations are labor-intensive in certain areas, particularly in precision machining, assembly, quality inspection and cleanroom processing. Our employee-related expenses amounted to RMB378.2 million, RMB509.5 million, RMB676.5 million and RMB408.4 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. Labor costs in the PRC have generally been increasing, driven by rising wage expectations, statutory increases in minimum wages and social insurance contribution requirements, and growing competition for skilled workers. The expansion and staffing of new production facilities in the PRC and overseas will require us to recruit additional employees, further increasing labor costs. Inflationary pressures may also increase our costs of raw materials, energy, transportation and professional services. We seek to offset cost increases through productivity improvements and, where possible, price adjustments. We cannot guarantee that we will do so fully. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to adequately protect our intellectual property rights, and we may be subject to claims of intellectual property infringement by third parties.

We rely on a combination of patents, trade secrets, know-how, non-disclosure agreements and employment contracts to protect our intellectual property and proprietary information. As of June 30, 2026, we had been granted 1,085 patents globally, covering various aspects of our manufacturing processes, product designs and materials technologies. We also rely on unpatented trade secrets and proprietary manufacturing know-how safeguarded through operational security measures and contractual

confidentiality obligations. However, these measures may not be adequate to prevent competitors from independently developing similar technologies, reverse engineering our products or circumventing our patents through design-arounds. Enforcement of intellectual property rights in the PRC remains subject to practical limitations, including challenges in detecting infringement, the time and cost of enforcement proceedings, and the remedies available. As we expand into South Korea and potentially other overseas locations, we may need to file additional patent applications in those jurisdictions, which involves additional cost and may not result in equivalent protection. Any leakage of our trade secrets or proprietary know-how could enable competitors to replicate our manufacturing processes and erode our technological advantage.

The semiconductor materials and components industry involves a significant number of patents and proprietary technologies, and the risk of intellectual property disputes is inherent in our business. Third parties, including our competitors, may allege that our products or manufacturing processes infringe their patents, trade secrets or other intellectual property rights. Defending against such claims can be time-consuming and costly, regardless of merit. If we are found to have infringed a third party's rights, we could be required to pay substantial damages, enter into royalty or license agreements on commercially unfavorable terms, or modify or discontinue products or processes. We may also need to pursue cross-licensing arrangements that could require us to share our proprietary technologies on terms that dilute our competitive advantage. The uncertainty created by these disputes could discourage customers from qualifying our products or be exploited by competitors to undermine our customer relationships. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

Changes in international trade policies, export controls, economic sanctions and geopolitical tensions, particularly between the U.S. and China, may adversely affect our business.

Our business is subject to a complex and evolving landscape of international trade regulations, export controls and economic sanctions that could restrict our ability to sell products to certain customers, procure key raw materials and equipment or conduct business in certain jurisdictions. In particular, U.S. export controls under the Export Administration Regulations, including Entity List restrictions and licensing requirements, may affect our activities in the semiconductor materials and components industry. Economic sanctions administered by the U.S. and other jurisdictions prohibit dealings with certain sanctioned jurisdictions, entities and individuals. International tariffs and other measures may also increase our costs and affect the competitiveness of our products. The U.S. Treasury Department's Outbound Investment Rule (31 C.F.R. Part 850) also restricts certain outbound investments by U.S. persons in entities that are "Covered Foreign Persons" engaged in specified semiconductor, quantum computing and AI activities, resulting in a U.S. person's investment in the "Covered Foreign Person" being prohibited or requiring notification to the U.S. Department of the Treasury. These measures could restrict our access to U.S.-origin technology, equipment and capital and could affect the ability of U.S.-based investors to invest in our Company.

Geopolitical tensions between the United States and the PRC may lead to additional export restrictions, import tariffs, investment prohibitions or other measures that affect our business. Other jurisdictions may adopt similar measures, potentially limiting access to international markets, customers and technology. Customers and suppliers may diversify away from PRC-based suppliers or localize their supply chains, even where we are not directly targeted. We continuously monitor regulatory developments and strive to maintain compliance in our operations. The interpretation and enforcement of these regulations are subject to significant uncertainties, and we cannot predict the timing, scope or

impact of future changes. As a result, we could be required to restructure our business, exit markets or forgo opportunities. Any escalation of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business operations depend on information technology systems, and any system failures, cybersecurity breaches or data loss could disrupt our operations.

Our manufacturing and business operations increasingly rely on information technology systems and networks for process control, production planning, quality management, supply chain coordination, financial reporting, procurement, inventory management and communications. Any failure, disruption or degradation caused by hardware or software malfunctions, power outages, natural disasters, human error or cyberattacks could interrupt manufacturing, impair order processing and delivery, disrupt our supply chain, compromise financial reporting or result in financial losses. We maintain firewalls, intrusion detection, encryption and access controls. Given that cyber threats are constantly evolving, we cannot guarantee that our defenses will prevent all breaches. A cyberattack could disrupt process control, compromise product quality or sensitive data, cause production losses, safety incidents and delivery delays, expose us to legal liability and harm our reputation.

We rely on both internally managed IT infrastructure and third-party cloud and hosted services. We maintain disaster recovery and business continuity plans. We cannot guarantee that these plans may be adequate to address all potential scenarios and we would be able to restore our systems and resume normal operations in a timely manner following a significant disruption. A prolonged outage or loss, corruption or unauthorized modification of our IT systems, process control data or manufacturing records could affect our ability to process customer orders, manage our supply chain, generate accurate financial reports and comply with our regulatory obligations, necessitate costly re-qualification processes, undermine customer confidence in the integrity of our quality management systems and impair our qualified supplier status. As we expand our operations, including through our overseas facilities, integrating our IT systems across a larger and more geographically dispersed organization will increase the complexity of our IT infrastructure and may create additional points of vulnerability. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not have sufficient insurance coverage to cover all potential losses arising from our manufacturing operations.

In line with general market practice, we do not maintain business interruption insurance or product liability insurance, which are not mandatory under applicable laws and regulations. We also do not carry insurance in respect of certain risks that we believe are not insurable in line with industry norms, or are not insurable on commercially acceptable terms, if at all, such as losses caused by war, tsunamis, certain types of environmental pollution, acts of terrorism, labor strikes and civil unrest. The cost of obtaining comprehensive insurance coverage for all of the risks inherent in our operations may be prohibitive, and certain types of losses may be uninsurable or may be subject to significant policy exclusions, deductibles or coverage limits. If we experience a loss that is not covered by, or exceeds the limits of, our insurance policies, we would be required to bear the full cost of such loss, which could be substantial. In addition, any significant insurance claim, even if ultimately covered, could result in increased premiums or reduced availability of coverage in subsequent policy periods. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects. For details of our insurance coverage, see "Business — Insurance."

We may not be able to detect and prevent fraud or other misconduct committed by our employees, customers, suppliers or other third parties.

We are exposed to the risk of fraud, bribery, corruption and other misconduct by our employees, customers, suppliers, agents and other third parties with whom we do business. Such misconduct could include, among other things, misappropriation of our assets, falsification of financial records or production data, bribery or improper inducements in connection with the procurement of raw materials or the sale of our products, and violations of applicable anti-corruption laws and regulations. Any such misconduct could expose us to legal liability, regulatory sanctions, financial losses and reputational damage.

We have implemented internal control systems, including codes of conduct, whistleblowing mechanisms, transaction approval procedures and periodic internal audits, to detect and prevent fraud and other misconduct. However, no system of internal controls can provide absolute assurance against all forms of misconduct, and our controls may fail to detect or prevent fraudulent or improper activities, particularly those involving collusion between multiple parties or those perpetrated by senior personnel who may be in a position to override controls.

If we discover or are subject to allegations of fraud or other misconduct, we may be required to devote significant management and financial resources to investigating and remediating the matter, which could disrupt our operations and divert resources from other business priorities. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks related to natural disasters, public health emergencies and other force majeure events.

Our business could be materially and adversely affected by natural disasters, including earthquakes, typhoons, floods, fires and extreme weather events, public health emergencies, wars, terrorism, environmental accidents, power outages or communication interruptions. Such events could cause property damage, production and supply-chain disruptions, harm to employees or temporary closure of our facilities or those of our business partners. They could also reduce demand for our products by adversely affecting the global or PRC economy. We maintain business continuity plans and carry certain insurance coverage against natural disaster risks. These measures may not be sufficient to mitigate the full impact of a catastrophic event. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

Our historical financial and operating results may not be indicative of our future performance.

During the Track Record Period, we experienced significant revenue growth. There can be no assurance that we will sustain historical growth rates or financial performance. We may face difficulties in forecasting demand, expanding production efficiently, launching products, controlling operating costs, funding capital expenditure, implementing our business strategies and complying with changing regulatory requirements. Our future performance will also depend on the growth of the global semiconductor materials and components industry, adoption of domestically produced materials, competition, raw material costs, product mix and capacity expansion. As we continue to invest in capacity and new product development, our cost structure may change and historical profit margins may

not be sustainable. As a result, we believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance, and you should not rely on such comparisons to predict our future performance. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to manage our inventory effectively, we may experience inventory write-downs, shortages, or further impairment losses that adversely affect our financial condition.

As of December 31, 2023, 2024, 2025 and June 30, 2026, our inventories and other contract costs amounted to RMB1,090.4 million, RMB1,450.6 million, RMB1,541.4 million and RMB1,865.0 million, respectively, net of write-downs. As of the same dates, we recorded write-downs of inventories and other contract costs of RMB74.5 million, RMB121.6 million, RMB140.1 million and RMB175.0 million, respectively. Our inventory management is complex because we manufacture a broad range of semiconductor materials and components, each with specific material compositions, dimensions and purity grades tailored to individual customer requirements. Changes in customer specifications, technology transitions or shifts in demand patterns may also cause inventory to become obsolete or slow-moving, and inventory that does not meet a particular customer's requirements may have limited alternative uses, increasing the likelihood of write-downs or disposal.

We seek to balance the need to maintain sufficient inventory to fulfill customer orders promptly against the risk of carrying excess or obsolete stock. There can be no assurance that we will accurately forecast customer demand, particularly given the cyclical nature of the semiconductor materials and components industry and fluctuations in customer ordering patterns. If we are unable to manage our inventory effectively, we may incur additional write-downs or impairment losses that could adversely affect our working capital and financial condition. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to credit risks relating to our trade receivables, and any failure by our customers to make timely payments could adversely affect our cash flow and financial condition.

Our trade receivables amounted to RMB665.3 million, RMB1,005.1 million, RMB1,244.5 million and RMB1,630.6 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively, net of provision for impairment. We recognized impairment losses on trade receivables under the expected credit loss model of RMB13.3 million, RMB24.9 million, RMB13.6 million and RMB22.0 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. Our customers' financial condition may deteriorate due to industry downturns or other factors, and enforcement of payment obligations may be more difficult or time-consuming in certain jurisdictions. A significant increase in overdue receivables or customer defaults could impair our cash flow and require increased expected credit loss provisions, adversely affecting our profitability.

We generally extend credit terms of no more than 120 days to our customers, although actual collection periods may be longer depending on the customer and the terms of the relevant purchase arrangement. As our revenue base grows, the absolute amount of our trade receivables is likely to increase, further concentrating our exposure to customer credit risk. There can be no assurance that our credit risk management measures, including credit assessments and monitoring of receivable aging, will be sufficient to prevent material losses. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

During the Track Record Period, we primarily relied on cash generated from our business operations, net proceeds from our offering of A Shares and borrowings to fund our operations. We had net cash flows used in operating activities of RMB96.3 million in 2024. We had net cash flows generated from operating activities of RMB251.0 million, RMB470.0 million and RMB328.8 million in 2023 and 2025 and the six months ended June 30, 2026, respectively. We cannot assure you that we will be able to generate net cash inflows in the future, and we may require additional cash resources due to changed business conditions or other future developments, including any expansion into new businesses or geographic markets, marketing initiatives or investments we may decide to pursue. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our current or future credit facilities, we may need to obtain additional equity or debt financing. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to operate and expand our business or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of our Shares. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and our ability to make certain corporate decisions, and will require interest and principal payments that could create additional cash demands and financial risk for us.

We have investments in associates, and our financial condition and results of operations may be affected by fluctuations in our share of results of such investments.

During the Track Record Period, we invested in certain associates, which were accounted for using the equity method. As of December 31, 2023, 2024 and 2025 and June 30, 2026, the balances of our investments in associates were RMB270.6 million, RMB427.2 million, RMB453.1 million and RMB876.0 million, respectively. Our share of results of these investments has fluctuated, and we recorded a share of net loss of associates of RMB23.2 million in 2023 and RMB7.7 million in 2024, and a share of net profit of associates of RMB7.3 million in 2025 and RMB33.9 million for the six months ended June 30, 2026.

Our equity investments may be subject to a variety of risks that are beyond our control, including but not limited to the risks that (i) an investee company incurs liabilities and expenses in excess of expectations, or is affected by adverse matters that we failed to identify in our due diligence; (ii) an investee company records losses, which would reduce our share of results and may require us to recognize impairment against the carrying amount of the relevant investment; (iii) an investee company fails to satisfy the conditions under which it may declare and pay dividends; or (iv) other shareholders of our associates have economic or business objectives that are inconsistent with ours, suffer financial difficulties, or are unable or unwilling to perform their obligations under the relevant investment arrangements.

In addition, we are subject to liquidity risk associated with investment in associates, especially when no dividends are declared by such parties and investments in these vehicles are not as liquid as other investment products. Large investment in an associate would require significant financial resources, resulting in significant cash outflow, increased debt financing, or both. As such, we may not

be able to readily generate any cash flow from our investment in associates to fund our operations from time to time, or at all. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Share-based payments may have an adverse effect on our financial results.

We have granted share-based awards to our Directors and employees, including core employees of certain of our subsidiaries, as part of our compensation arrangements. During the Track Record Period, we recognized share-based payments of RMB46.4 million, RMB29.4 million, RMB12.7 million and RMB5.3 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. We may grant additional awards in the future, which could increase share-based payment expenses. Our A Shares are listed on the Shenzhen Stock Exchange, and the accounting treatment of share-based payment arrangements requires us to recognize the fair value of awards as an expense over the vesting period, reducing our reported net profit. The amount of such expenses can be volatile because it depends on the fair value of the underlying shares, the number of awards and assumptions regarding vesting conditions and forfeiture rates.

In addition, the exercise or vesting of share-based payments may result in dilution to existing shareholders and could increase the total number of shares in issue over time. If we continue to grant significant share-based awards, the cumulative dilutive effect could be material. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to changes in the fair value of our financial assets measured at fair value. Fluctuations in their values would affect our results of operations and financial condition.

As of December 31, 2023, 2024 and 2025 and June 30, 2026, we recorded financial assets measured at fair value through profit or loss ("**FVTPL**"), comprising listed and unlisted equity investments, of RMB285.9 million, RMB198.4 million, RMB248.0 million and RMB465.5 million, respectively. As of the same dates, we recorded financial assets measured at fair value through other comprehensive income ("**FVTOCI**"), comprising unlisted equity investments, of RMB15.9 million, RMB17.3 million, RMB9.6 million and RMB14.6 million, respectively. We recorded gains from changes in the fair value of financial assets at FVTPL of RMB27.9 million, RMB37.7 million, RMB35.1 million and RMB61.6 million in 2023, 2024 and 2025 and for the six months ended June 30, 2026, respectively. Fair values of financial assets at FVTPL and financial assets at FVTOCI are determined based on quoted prices in active markets, other market-observable inputs, or unobservable inputs using valuation techniques.

In line with our accounting policies, we establish a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. We determine the fair value of our financial assets classified in levels 1 and 2 based on observable prices and inputs. Our level 3 instruments require one or more significant unobservable inputs and, absent evidence to the contrary, are initially valued at transaction price. In determining their fair value, our management exercises judgment, taking into account various factors, including macroeconomic conditions and valuations by independent valuer, many of which are beyond our control and may not be available on a consistent basis. Such judgment and estimation are inherently subjective and subject to limitations, and we cannot assure you that they are accurate. If they prove inaccurate, the fair value of the relevant financial instruments may be materially and adversely affected, which could materially and adversely affect our financial condition and results of operations. For details, see notes 5, 24, 25 and 41.3 to the Accountants' Report as set out

in Appendix I to this document. Changes in assumptions relating to our valuation could result in material adjustments to the fair value of such financial assets, which may have a material adverse effect on our financial position and results of operations.

Our interest-bearing indebtedness exposes us to interest rate risk and may limit our financial and operational flexibility.

During the Track Record Period, we had borrowings to finance our business operations and capital expenditures, and we expect to continue to do so in the future. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our total borrowings amounted to RMB1,003.5 million, RMB2,601.2 million, RMB3,644.9 million and RMB4,683.2 million, respectively. We cannot assure you that our level of indebtedness will not increase substantially in the future. We are exposed to interest rate risk resulting from interest rate fluctuations. Rising interest rates could increase interest expenses relating to our outstanding floating-rate borrowings, which could materially and adversely affect our business, results of operations, financial condition and prospects.

A high level of indebtedness could make it more difficult for us to fulfill our debt obligations, exposing us to the risk of default; require us to allocate a higher portion of our cash flow from operations to debt service, reducing cash available for working capital, capital expenditure and other purposes; limit our flexibility in planning for or reacting to changes in our business or industry; restrict our ability to pursue strategic opportunities or raise additional financing; and increase our vulnerability to adverse economic or industry conditions. Our borrowing arrangements also contain restrictive covenants, and a breach of any such covenant could result in a default, potentially triggering cross-default or acceleration of our other indebtedness. In the event that some or all of our debt payments are accelerated, we may not have the funds to repay, or the ability to refinance, such debt. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Changes in economic, political or regulatory conditions in the jurisdictions where we operate could have a material effect on our business and prospects.

We are incorporated in the PRC and substantially all of our production facilities, employees and assets are located in the PRC. Our business is therefore significantly influenced by economic, political and regulatory developments in the PRC. The PRC government exercises significant oversight over business through laws, regulations and industrial policies. Supportive policies, subsidies and tax incentives have benefited our industry, but there can be no assurance that they will continue. Changes in government priorities, subsidies, licensing or qualification requirements or the interpretation or enforcement of regulations could require us to modify our business practices or incur additional compliance costs.

We also conduct business in other jurisdictions, including Hong Kong, Taiwan, South Korea, Japan, Singapore and Malaysia. Changes in the economic or regulatory environment in these jurisdictions, including changes in trade policies, tariffs, sanctions or export control regimes affecting the semiconductor materials and components industry, could disrupt our overseas operations or restrict our access to international markets and customers. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our proposed [REDACTED] and any future overseas capital raising activities are subject to PRC regulatory approvals, which involve uncertainties.

Our proposed **[REDACTED]** on the Main Board of the Stock Exchange is subject to the filing and approval requirements of the CSRC and the registration requirements of SAFE. On March 31, 2023, the CSRC implemented the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, which require PRC domestic companies seeking to offer and list securities in overseas markets to complete a filing procedure with the CSRC. We have submitted the requisite filing materials to the CSRC and have completed the CSRC filing procedures in connection with the proposed **[REDACTED]**. However, completion of such filing does not constitute a substantive review or approval by the CSRC of our proposed **[REDACTED]**, and there can be no assurance that the CSRC will not impose additional conditions or requirements after the filing has been completed. We must also complete registration with SAFE in connection with the proposed **[REDACTED]** and future cross-border capital flows relating to the H Shares, including the remittance of **[REDACTED]** into the PRC and the payment of dividends to **[REDACTED]** of H Shares. Failure to obtain or maintain the requisite SAFE registrations could restrict our ability to remit funds across borders and pay dividends to **[REDACTED]** of our H Shares.

The regulatory framework governing overseas listings by PRC domestic companies, including the dual A/**[REDACTED]** structure, continues to evolve. Future changes to the CSRC filing requirements, SAFE registration procedures or other applicable regulations could impose additional obligations on us, delay or complicate any future overseas capital raising activities, or increase our compliance costs. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses and affect our competitiveness.

Our functional currency is Renminbi. During the Track Record Period, our revenue was primarily denominated in Renminbi. A portion of our overseas sales to customers outside the PRC was denominated in foreign currencies. We recorded net foreign exchange gains or losses during the Track Record Period that were principally attributable to movements in the exchange rate between Renminbi and United States dollar. Our subsidiaries' financial results are translated into Renminbi for consolidation purposes, exposing our reported revenue, costs and profitability to foreign exchange movements. As we expand our international sales, the proportion of revenue denominated in foreign currencies may increase.

We do not currently engage in hedging arrangements to manage our foreign exchange exposure in a comprehensive manner. As a result, significant movements in exchange rates, particularly a material appreciation of the Renminbi against the United States dollar or other currencies, could reduce the competitiveness of our products in overseas markets and adversely affect our reported revenue and profitability when translated into Renminbi. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

PRC foreign exchange controls may limit our ability to convert and remit funds, pay dividends to [REDACTED] of H Shares or conduct cross-border transactions.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and on the remittance of funds out of the PRC. Under existing PRC foreign exchange regulations administered by SAFE and its local branches, current account transactions, including the payment of dividends, trade-related payments and service fees, can generally be made in foreign currencies without prior SAFE approval if procedural requirements are satisfied, and capital account transactions remain subject to approval or registration. Following the completion of our proposed **[REDACTED]**, we will need to convert Renminbi into Hong Kong dollars or other foreign currencies to pay dividends to **[REDACTED]** of our H Shares. Any limitations on conversion or remittance could restrict our ability to distribute dividends, fund overseas subsidiaries, settle foreign currency-denominated payables or receive future overseas **[REDACTED]**.

In addition, any tightening of PRC foreign exchange controls could adversely affect our ability to fund the operations of our overseas subsidiaries, settle foreign currency-denominated payables with overseas suppliers or receive the **[REDACTED]** of any future overseas capital raising activities. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Non-PRC resident [REDACTED] of our H Shares may be subject to PRC income tax obligations.

Under the Enterprise Income Tax Law of the PRC ("**EIT Law**") and the Individual Income Tax Law of the PRC, non-PRC resident individuals and enterprises may be subject to PRC income tax on dividends received from PRC-incorporated companies. Pursuant to applicable tax treaties and arrangements, the withholding tax rate on dividends paid by a PRC-incorporated company to non-resident holders may be reduced from the statutory rate of 20% for individuals and 10% for enterprises, depending on the jurisdiction of residence of the holder and the availability of treaty benefits. We will be required to withhold the applicable PRC income tax from dividends paid to **[REDACTED]** of our H Shares and remit the amounts withheld to the PRC tax authorities.

In addition, gains realized by non-PRC resident individuals and enterprises on the disposal of H Shares may be subject to PRC income tax, depending on the application of the relevant provisions of the EIT Law, the Individual Income Tax Law and applicable tax treaties. The PRC tax authorities have historically not enforced the collection of income tax on gains realized by non-PRC residents on the sale of shares in PRC-listed companies on a systematic basis, but there can be no assurance that such taxes will not be collected in the future.

The interpretation and application of PRC tax laws and regulations, particularly as they relate to **[REDACTED]** of H Shares in PRC-incorporated companies, involve significant uncertainty. Changes in PRC tax law or its interpretation, or the withdrawal or modification of existing tax treaty benefits, could increase the tax burden on **[REDACTED]** of our H Shares, which could reduce the net after-tax returns to **[REDACTED]** and adversely affect the **[REDACTED]** of our H Shares. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our offshore subsidiaries may be treated as resident enterprises for tax purposes in Chinese Mainland.

Under the EIT Law, an enterprise established outside the PRC whose "de facto management body" is located in the PRC may be classified as a PRC resident enterprise for tax purposes. If any of our subsidiaries established outside the PRC, including our subsidiaries in overseas countries or regions, were to be classified as a PRC resident enterprise, it would be subject to PRC enterprise income tax at the rate of 25% on its worldwide income, rather than only on its PRC-sourced income. The SAT has issued implementing rules providing guidance on the criteria for determining whether an offshore enterprise's de facto management body is located in the PRC, focusing on factors such as the location where day-to-day operational management decisions are made, the location of senior management personnel and the location where board meetings and shareholder meetings are held.

We believe that our offshore subsidiaries are managed and controlled from their respective jurisdictions of incorporation and should not be classified as PRC resident enterprises under the current rules. The determination of whether an enterprise's de facto management body is located in the PRC is inherently fact-specific and involves significant judgment. If any of our offshore subsidiaries were to be classified as a PRC resident enterprise, we could be subject to additional PRC enterprise income tax on the worldwide income of those subsidiaries, which would increase our overall tax burden and reduce our consolidated net profit. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our expansion into international markets may be adversely affected by legal, regulatory, political and economic risks.

As part of our growth strategy, we have expanded our operations into international markets, including through our overseas subsidiaries and a production base under construction in South Korea. Operating in multiple jurisdictions exposes us to a range of legal, regulatory, political and economic risks that are different from, and in some cases, more complex than, those we face in the PRC. These risks include unfamiliarity with local laws and business practices, difficulties in managing and staffing overseas operations, differences in accounting and tax standards, and exposure to political and economic instability.

The semiconductor materials and components industry is subject to varying degrees of government regulation in different jurisdictions. Compliance with local laws, regulations and industry standards in each jurisdiction where we operate or sell our products requires significant management attention and resources. In addition, trade tensions, export control regimes and sanctions programs, particularly those affecting the semiconductor materials and components industry, could restrict our ability to sell certain products in certain markets or to source critical raw materials and equipment from overseas suppliers. Any escalation of trade disputes involving the PRC, the United States, South Korea or other jurisdictions where we have operations or customers could disrupt our supply chain and adversely affect our business.

Furthermore, the legal systems in certain jurisdictions in which we operate may be less developed or less predictable than those in the PRC, which could affect our ability to enforce contracts, protect our intellectual property or resolve disputes through legal proceedings in a timely and cost-effective manner. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

The EIT Law imposes a tax rate of 25% on business enterprises. Our Company and some of our subsidiaries are entitled to preferential tax treatment, principally through recognition as a "High and New Technology Enterprise" ("**HNTE**") which entitles the relevant entity to a preferential enterprise income tax rate of 15%. HNTE status is generally valid for three years and is subject to reassessment upon expiry, and we are also entitled to claim super-deductions for qualifying R&D expenditure. For details, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Income Tax Expense." To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate for any other reason, our tax liability would increase correspondingly. Non-compliance with applicable tax laws may result in penalties or fines. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. We also operate in overseas jurisdictions, and are subject to various taxes there. Because tax environments vary and tax regulations are complex, our overseas operations expose us to risks associated with overseas tax policy changes.

We are also subject to examination of our tax returns and other tax matters by PRC and overseas tax authorities. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes payable were to be for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected. Applicable laws and regulations in the jurisdictions in which we operate require intra-group transactions to be conducted on arm's length terms. After assessing our transfer pricing arrangements during the Track Record Period, we, as advised by our independent transfer pricing consultant, are of the view that our intra-group transactions and arrangements were generally consistent with the arm's length principle from the perspective of the Organization for Economic Co-operation and Development ("**OECD**") Transfer Pricing Guidelines and the transfer pricing laws and regulations of the relevant jurisdictions. However, there can be no assurance that tax authorities in these jurisdictions will not challenge our transfer pricing arrangements, which could result in additional taxes, interest or penalties imposed on us. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Government grants we have enjoyed may change or be discontinued.

During the Track Record Period, we recorded government grants (including amortization of deferred income) of RMB38.7 million, RMB31.5 million, RMB52.0 million and RMB19.4 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. These grants mainly comprised financial subsidies received from local government authorities subject to specified conditions, and the amortization of deferred government grants, which mainly comprise incentives and subsidies provided by local authorities for our acquisition of plant and equipment and to encourage our R&D projects. For details, see "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Other Income." There can be no assurance that we will be able to fully satisfy the conditions or contractual obligations required for receiving government grants or other preferential treatment. If relevant policies change in the future, there is no assurance that we would continue to enjoy these government grants or preferential treatment at historical levels, or at all. Any change, suspension or discontinuation of these government grants or preferential treatment could adversely affect our financial condition, results of operations and cash flows.

There may be difficulties in effecting service of legal process and enforcing foreign judgments against us or our Directors in the PRC.

We are a company incorporated under the laws of the PRC, and substantially all of our assets are situated in the PRC. In addition, most of our Directors and senior management are PRC nationals or residents, and all or a substantial portion of their personal assets are located in the PRC. As a result, it may be difficult for **[REDACTED]** to effect service of process upon us or upon our Directors and senior management within the PRC or in other jurisdictions where service may be attempted. The PRC has not entered into treaties or arrangements for the reciprocal recognition and enforcement of court judgments with many jurisdictions, including the United States, the United Kingdom and certain other common law jurisdictions. Accordingly, the recognition and enforcement of foreign court judgments in the PRC may be difficult or impossible. The PRC and Hong Kong have entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) ("**Arrangement**"). The implementation and interpretation of this Arrangement remain subject to uncertainty. As a result, **[REDACTED]** of our H Shares may have difficulty enforcing judgments obtained in Hong Kong courts against us or our Directors in the PRC.

Furthermore, original actions brought in the PRC by holders of H Shares on the basis of foreign laws or international treaties may be subject to procedural and substantive limitations under PRC law. These difficulties in effecting service of process and enforcing foreign judgments could limit the legal remedies available to **[REDACTED]** in the event of a dispute. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We, our Directors, senior management, employees and shareholders and their affiliates, may be subject to lawsuits, disputes, regulatory proceedings or negative publicity that could adversely affect our business and reputation.

In the ordinary course of our business, we may become involved in lawsuits, disputes, claims or regulatory proceedings brought by or against us, our Directors, senior management, employees or shareholders and their affiliates. Such proceedings may arise from contractual disputes, employment-related claims, intellectual property allegations, product liability claims or regulatory investigations. Their outcome is inherently uncertain, and an adverse determination could result in significant liabilities, injunctive relief or other remedies that disrupt our operations. Even where we prevail, defending claims and participating in investigations can be time-consuming and costly, divert management attention and attract adverse publicity.

We may also from time to time be subject to negative publicity, media reports or social media commentary about our business, products, management or industry, whether or not based on fact. Such coverage could damage our reputation, undermine customer confidence in our products and adversely affect the **[REDACTED]** of our H Shares. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our manufacturing operations are subject to environmental laws and regulations, and any failure to comply or tightening of standards, particularly increasingly stringent requirements in the PRC, could increase our operating costs and capital expenditure or disrupt our operations.

Our manufacturing processes are subject to environmental laws and regulations in the PRC and other jurisdictions where we operate. We must obtain and maintain environmental impact assessment approvals, pollutant discharge permits and other environmental permits. Compliance requires ongoing operating and capital expenditure for waste treatment, emissions control, environmental monitoring and pollution-control equipment. The PRC government has been strengthening environmental standards and enforcement, and further tightening of emission limits, waste-disposal requirements or energy-consumption targets could require additional investment. The use of special gases and chemicals is also subject to detailed requirements for safe handling, storage, transportation and disposal.

Any failure to comply with applicable environmental laws and regulations could expose us to administrative penalties, suspension of production, revocation of operating permits, claims for environmental remediation costs and reputational damage. In extreme cases, serious environmental incidents at our production facilities could result in personal injury or property damage, giving rise to civil liability and potential criminal sanctions against our management. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection domestically and abroad. Any losses or unauthorized access to or unauthorized releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences.

We collect, store and process personal information of employees, technical data relating to our products and manufacturing processes and commercially sensitive customer information. These activities are subject to an evolving framework of PRC data and cybersecurity laws, including the Cybersecurity Law, the Data Security Law and the Personal Information Protection Law, as well as requirements in other jurisdictions.

In addition, any unauthorized access to, disclosure of or loss of the confidential technical data or trade secrets relating to our semiconductor materials and components manufacturing processes could compromise our competitive position and harm our relationships with customers who rely on us to protect their proprietary information. We maintain information security measures designed to protect our data assets, but no security system is impervious to all threats, and a significant data security incident could result in material financial, legal and reputational harm. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business requires various licenses, permits and certifications, and failure to obtain or maintain them could restrict our operations.

Our manufacturing operations require business licenses, operation permits and special equipment usage registrations, as well as industry-specific quality certification and customer qualification. Obtaining, renewing and maintaining these approvals is subject to the requirements and discretion of government authorities. Changes in laws or enforcement, delays, or operation without required approvals could increase compliance costs, result in penalties or require us to suspend production.

As our business expands, including through the construction of new production facilities and the development of new product lines, we will be required to obtain additional licenses, permits and certifications, and there can be no assurance that we will be able to do so in a timely manner or at all. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our leased properties may be subject to non-compliances or challenges that could expose us to penalties and incremental costs.

We own and lease properties in Chinese Mainland and overseas, which primarily serve as our office and production premises and R&D centers and serve as premises for technical support and customer services for our overseas customers. For details, see "Business — Properties." Under PRC laws and regulations, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, five of our lease agreements in Chinese Mainland had not been registered and filed with the relevant authorities. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. If a property is demolished, expropriated or otherwise affected by government action, we may be required to vacate and relocate our operations, incurring additional costs and disruption.

We have identified alternative premises that we believe would be available on commercially reasonable terms in the event of any required relocation. There can be no assurance that we would be able to secure suitable replacement premises in a timely manner or without incurring material costs. Any interruption to our operations resulting from lease terminations or relocations could affect our ability to fulfill customer orders and adversely affect our business. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any failure to make adequate contributions to employee benefit plans as required by PRC regulations could subject us to penalties.

We are subject to labor laws and regulations in the PRC, including requirements to participate in various employee benefit plans such as social insurance, housing provident funds and other welfare payment obligations. Under PRC laws and regulations, employers are required to make adequate contributions to social insurance and the housing provident fund for eligible employees, and failure to do so may subject employers to orders for rectification, late payment surcharges and fines. During the Track Record Period, we and our PRC subsidiaries did not make social insurance and housing provident fund contributions in full based on the actual wages of certain employees. We may be required by the competent authorities to make up the shortfall within a prescribed period. Outstanding social insurance contributions may also attract late payment charges, and failure to pay within the prescribed period may result in fines. In respect of housing provident fund contributions, the relevant authority may apply to a court for compulsory enforcement if we fail to make the required payments within the prescribed period.

Considering that (i) during the Track Record Period, we were not subject to administrative penalties in connection with such underpayments, (ii) we have confirmed that, during the Track Record Period and up to the Latest Practicable Date, no material employee complaints, litigation or arbitration

concerning our social insurance and housing provident fund contributions had been brought to our attention, (iii) based on interviews with certain relevant competent social insurance and housing provident fund authorities in Chinese Mainland, the authorities generally do not proactively seek recovery in the absence of employee complaints or reports and generally deal with such matters on a case-by-case basis if a complaint or report is made, and (iv) we have undertaken to make up any shortfall within the prescribed period if required by the competent authorities, our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, provided that the applicable laws and policies do not materially change, the local enforcement practices applicable to the Company and our PRC subsidiaries do not materially differ from, or change adversely from, the practices understood through the authority interviews, and that there are no employee complaints or reports, the risk of the competent authorities proactively seeking recovery of the historical shortfall from, or imposing administrative penalties on, the Company and our PRC subsidiaries is remote.

In addition to the above, if we fail to comply with any other relevant labor laws and regulations in jurisdictions where we operate, we may be exposed to penalties or be required to pay damages to employees. Compliance with the relevant labor laws and regulations in jurisdictions where we operate could substantially increase our labor costs. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of Chinese Mainland and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be **[REDACTED]** on the Main Board of the 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.

Our A Shares are listed on the Shenzhen Stock Exchange, and the characteristics of the A share and H share [REDACTED] may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange, and our H Shares will be **[REDACTED]** on the Stock Exchange. Under current laws and regulations of Chinese Mainland, 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 **[REDACTED]**. With different **[REDACTED]** characteristics, the H Share and A Share markets have divergent **[REDACTED]**, as well as different levels of retail and institutional **[REDACTED]** participation. As a result, the **[REDACTED]** 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 **[REDACTED]**, the historical prices of our A Shares may not be indicative of the **[REDACTED]** of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when making the **[REDACTED]** decision in our H Shares.

Our Single Largest Group of Shareholders has significant influence over us, and its interests may not always be aligned with those of our other Shareholders.

Immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, our Single Largest Group of Shareholders will hold approximately **[REDACTED]**% of the voting rights in 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 of our Company as part of a sale of our Company and might reduce the **[REDACTED]** of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Single Largest Group of Shareholders may differ from the interests of our other Shareholders. It is possible that our Single Largest Group of Shareholders may exercise its 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.

Dr. YAO Lijun, a member of our Single Largest Group of Shareholders, has from time to time pledged the A Shares he owned to certain PRC financial institutions as collateral in order to obtain personal financing. As of the Latest Practicable Date, 14,054,000 of the 56,765,724 A Shares beneficially owned by Dr. YAO Lijun and included in his long position were subject to a share pledge in favor of PRC licensed financial institutions, each being an Independent Third Party, as security for facilities granted to Dr. YAO Lijun for his personal financing needs. As of the Latest Practicable Date, the share pledge had not been enforced, and Dr. YAO Lijun remained the beneficial owner of such A Shares. If an event of default occurs under the relevant security agreements, the lenders may be able to enforce their rights against part or all of the pledged Shares of our Company thereunder through legal proceedings. In such event, Dr. YAO Lijun may no longer be able to maintain the current level of interest in our Company, which could adversely affect the influence of our Single Largest Group of Shareholders over us.

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

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our H Shares. We cannot assure you that a **[REDACTED]** for our H Shares with adequate **[REDACTED]** and **[REDACTED]** will develop and be sustained following completion of the **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us, and may not be an indication of the **[REDACTED]** of our H Shares following completion of the **[REDACTED]**. If an active **[REDACTED]** for our H Shares does not develop following completion of the **[REDACTED]**, the **[REDACTED]** and **[REDACTED]** of our H Shares may be materially and adversely affected. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].

The **[REDACTED]** and **[REDACTED]** of our H Shares may be subject to significant volatility in response to factors beyond our control, including general market conditions in Hong Kong and elsewhere. The Stock Exchange and other securities markets may experience volatility unrelated to the operating performance of any particular company, and the business, performance and share price of other companies engaging in similar businesses may also affect our H Shares. Our H Shares may also be **[REDACTED]** due to fluctuations in our revenue, earnings, cash flows, investments, expenditures,

regulatory developments, relationships with suppliers, movements or activities of key personnel or actions taken by competitors. The **[REDACTED]** may therefore change for reasons not directly related to our performance. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

Future [REDACTED] or perceived [REDACTED] of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The **[REDACTED]** of our H Shares and our ability to raise equity capital in the future at a time and **[REDACTED]** that we deem appropriate could be negatively impacted as a result of future **[REDACTED]** of a substantial number of our H Shares or other securities relating to our H Shares in the **[REDACTED]**, especially by our Directors, executive officers, or the **[REDACTED]** of new shares or other securities, or the perception that such **[REDACTED]** or **[REDACTED]** may occur. In addition, our Shareholders may experience dilution in their holdings if we **[REDACTED]** more securities in the future. Furthermore, we may **[REDACTED]** shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders' interests in our Company. New shares or shares-linked securities **[REDACTED]** by us may also confer rights and privileges that take priority over those conferred by the H Shares. Market sale of Shares by such Shareholders and the availability of these Shares for future sales may have a negative impact on the **[REDACTED]** of our H Shares.

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

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

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of Chinese Mainland, the payment of dividends may be subject to certain limitations, and

the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the IFRS Accounting Standards ("**IFRS**"). The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to approval at the Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of Chinese Mainland. For details, see "Financial Information — Dividends." 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.

This document contains certain facts, forecasts and other statistics derived from various government sources. These have not been independently verified and may not be reliable.

Certain facts, forecasts and other statistics in this document are derived from various government sources. Our Directors have taken reasonable care in reproducing such information. They cannot guarantee the quality or reliability of such source materials. Such information has not been independently verified by us, the Sole Sponsor, **[REDACTED]** or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, **[REDACTED]** should consider carefully how much weight or importance to attach to such facts or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and **[REDACTED]** should not place undue reliance on them.

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. Our Directors consider that the relocation of our executive Directors to Hong Kong or the appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of the Shareholders. Therefore, our Company does not contemplate that we will have two executive Directors who are ordinarily resident 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 for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(i) our authorized representatives, Dr. BIAN Yijun (邊逸軍), the chairperson of the Board, an executive Director and the chief executive officer of our Company, and Ms. AU YEUNG Lai Yee (歐陽麗儀), will act as our principal channel of communication with the Stock Exchange. Each of them will be available to meet with the Stock Exchange within a reasonable time frame upon request, will be readily contactable by telephone and email, and has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact them on any matter;

(ii) each Director has provided their mobile phone number, office phone number and email address to the authorized representatives and the Stock Exchange. Each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time;

(iii) we have appointed a Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange from the **[REDACTED]** to 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]**. The Compliance Advisor will have access at all times to our authorized representatives, Directors and senior management; and

(iv) we will promptly inform the Stock Exchange of any change in our authorized representatives or Compliance Advisor.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of 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.

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

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

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

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

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

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

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(iv) professional qualifications in other jurisdictions.

We have appointed Dr. ZOU Junwei (鄒俊偉) as our joint company secretary with effect from the date on which our Company passes the **[REDACTED]**. Given that our Group's principal business activities are conducted outside Hong Kong, our Directors consider it important to appoint an internal joint company secretary who has first-hand knowledge of our business and operations and can facilitate effective communication between the Board and management. As our Board secretary and head of investment, Dr. ZOU Junwei is well placed to perform this role. Our Directors therefore consider his appointment conducive to the effective discharge of our company secretarial functions. For his biography, see "Directors and Senior Management."

We have also appointed Ms. AU YEUNG Lai Yee, who is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with Dr. ZOU Junwei in jointly discharging the duties and responsibilities of company secretary for a three-year period from the **[REDACTED]**, and to support Dr. ZOU Junwei in acquiring the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules.

Dr. ZOU Junwei does not currently possess the qualifications or relevant experience required under Rule 3.28 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Dr. ZOU Junwei as our joint company secretary. Such waiver [has been] granted for a period of three years from the **[REDACTED]** (the "**Waiver Period**"), subject to the conditions that: (i) Ms. AU YEUNG Lai Yee is appointed as a joint company secretary to assist Dr. ZOU Junwei in discharging his functions as a company secretary and gaining the relevant experience under Rule 3.28 of the Listing Rules; (ii) this waiver will be revoked immediately if and when Ms. AU YEUNG Lai Yee ceases to provide such assistance during the Waiver Period; and (iii) this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company.

In addition, Dr. ZOU Junwei will comply with the annual professional training requirements under Rule 3.29 of the Listing Rules and enhance his understanding of the Listing Rules during the Waiver Period. Our Company will further ensure that Dr. ZOU Junwei has access to the relevant training to familiarize himself with the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Prior to the expiry of the Waiver Period, our Company will evaluate the qualifications and experience of Dr. ZOU Junwei and seek the Stock Exchange's confirmation that, having benefited from the assistance of Ms. AU YEUNG Lai Yee during the Waiver Period, he has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of a company secretary independently.

WAIVER AND EXEMPTION IN RESPECT OF PARTICULARS OF INFORMATION OF OUR SUBSIDIARIES

Paragraph 13 of Appendix D1A to the Listing Rules requires this document to disclose particulars of any commissions, discounts, brokerages or other special terms granted within the two years immediately preceding the issue of this document in connection with the issue or sale of any capital of any member of our Group, together with the names of any Directors or proposed Directors, promoters or experts named in this document who received any such payment or benefit and the amount or rate thereof, or an appropriate negative statement.

Paragraph 26 of Appendix D1A to the Listing Rules requires this document to disclose particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this document, including, where applicable, the consideration for any capital issued or proposed to be issued otherwise than for cash, the price and terms of any capital issued or proposed to be issued for cash, any discounts or other special terms granted and details of any outstanding calls or installments, or an appropriate negative statement.

Paragraph 27 of Appendix D1A to the Listing Rules requires this document to disclose particulars of any capital of any member of our 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, the price and duration of the option and the name and address of the grantee, or an appropriate negative statement.

Paragraph 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires this document to disclose particulars of the authorized debentures of our Company and its subsidiaries, if any, and the amount issued and outstanding or agreed to be issued, or an appropriate negative statement.

Paragraph 29(1) of Appendix D1A to the Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require this document to disclose, in respect of every company (a) the whole of, or a substantial proportion of, whose capital is held or intended to be held, directly or indirectly, by our Company, or (b) whose profits or assets make or will make a material contribution to the figures in the Accountants' Report or the next published accounts or financial statements of our Company, particulars of its name, date and country or place of incorporation or other establishment, as applicable, public or private status, general nature of business, issued capital and the proportion thereof held or intended to be held by our Company.

Paragraph 45(2) of Appendix D1A to the Listing Rules requires this document to disclose, among other matters, the name, so far as is known to any Director or chief executive of our Company, of each person, other than a Director or chief executive of our Company, who is directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group, the amount of each such person's interest in such securities and particulars of any options in respect of such securities, or an appropriate negative statement.

As of the Latest Practicable Date, we had 52 subsidiaries globally. Full disclosure of the information referred to above in respect of all our subsidiaries would be unduly burdensome, as it would require us to incur significant additional costs and allocate substantial additional resources to the collection, preparation and verification of information that would not be material or meaningful to **[REDACTED]**. We consider that the non-disclosure of such information in respect of our subsidiaries other than the Major Subsidiaries would not prejudice the interests of the **[REDACTED]**.

We have identified 15 subsidiaries as our major subsidiaries (the "**Major Subsidiaries**"), taking into account, among other factors, the significance of their respective business segments and financial contributions to our Group, their strategic importance to our Group and whether they hold any licenses, assets, intellectual property rights or other interests material to our Group's business or financial position.

By way of illustration, before intercompany eliminations, (1) the aggregate revenue of our Company and the Major Subsidiaries (excluding Kaide Quartz) accounted for approximately 86.87%, 88.57%, 89.46% and 86.00% of the total revenue of our Group for the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively; (2) the aggregate total assets of our Company and the Major Subsidiaries (excluding Kaide Quartz) accounted for approximately 89.14%, 89.53%, 86.84% and 86.97% of the total assets of our Group as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively; and (3) the aggregate profit before income tax of our Company and the Major Subsidiaries (excluding Kaide Quartz) accounted for approximately 141.10%, 139.18%, 164.51% and 141.04% of the profit before income tax of our Group for the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively.

Except for the Major Subsidiaries, none of our other subsidiaries, on a standalone basis, (i) accounted for more than 5% of the revenue of our Group for any of the years ended December 31, 2023, 2024 and 2025 or the six months ended June 30, 2026; (ii) held more than 5% of the total assets of our Group as of December 31, 2023, 2024 or 2025 or June 30, 2026; or (iii) contributed more than 5% of the profit before income tax of our Group for any such period. None of our subsidiaries other than the Major Subsidiaries held any licenses, assets, intellectual property rights or other interests that were material to the business operations or financial position of our Group as of the Latest Practicable Date.

We have disclosed particulars of the changes in the share capital of our Company and the Major Subsidiaries, if any, in "Appendix IV — Statutory and General Information — A. Further Information about Our Group." We have also disclosed the corporate information of the Major Subsidiaries, including their names, principal business activities, places and dates of incorporation and the interests held by our Group, in "History and Corporate Structure," and their share capital in Note 16 to the Accountants' Report set out in Appendix I to this document, as required under paragraph 29(1) of Appendix D1A to the Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We have disclosed in "Appendix IV — Statutory and General Information" particulars of any capital of the Major Subsidiaries which is under option, or agreed conditionally or unconditionally to be put under option. We have also disclosed in "Appendix IV — Statutory and General Information — D. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of Interests" details of each person, other than a Director or the chief executive of our Company, as applicable, who is directly or indirectly interested in 10% or more of the issued voting shares of any Major Subsidiary, the amount of each such person's interest in such securities and particulars of any options in respect of such securities, if any.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with paragraphs 13, 26, 27, 29(1) and 45(2) of Appendix D1A to the Listing Rules, to the extent not strictly met by the disclosures in this document, in respect of the following information relating to our subsidiaries other than the Major Subsidiaries: (1) particulars of any commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital, including the prescribed particulars of the recipients of any such payments or benefits; (2) particulars of any alterations in capital within the two years immediately preceding the issue of this document; (3) particulars of any capital which is under option, or agreed conditionally or unconditionally to be put under option; (4) particulars of the name, date and country or place of incorporation or other establishment, public or private status, general nature of business, issued capital and the proportion thereof held or intended to be held by our Company; and (5) the name of each person, other than a Director or chief executive of our Company, who is directly or indirectly interested in 10% or more of the issued voting shares of any such subsidiary, the amount of each such person's interest in such securities and particulars of any options in respect of such securities.

We have also applied to the SFC for, and the SFC [has granted] us, a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraphs 25 and 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the disclosures in this document, in respect of our subsidiaries other than the Major Subsidiaries. The certificate of exemption [has been] granted subject to the conditions that: (1) the particulars of the exemption are disclosed in this document; and (2) this document is issued on or before **[REDACTED]**.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

As stated in "Connected Transactions," our Company engages in and is expected to continue to conduct certain transactions which will constitute partially-exempt continuing connected transactions and non-exempt continuing connected transactions under the Listing Rules upon the **[REDACTED]**.

WAIVERS AND EXEMPTIONS

The Directors consider that strict compliance with the announcement, circular and independent Shareholders' approval requirements of the Listing Rules would be unduly burdensome and would impose unnecessary administrative costs on our Company.

Accordingly, we have applied for, and the Stock Exchange [has granted] us, waivers pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement requirements in respect of the partially-exempt continuing connected transactions; and (ii) the announcement, circular and independent Shareholders' approval requirements in respect of the non-exempt continuing connected transactions, in each case as described in "Connected Transactions."

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. BIAN Yijun (邊逸軍)	Room 301, No. 3, Lane 688 Lujiabang Road Huangpu District, Shanghai, PRC	Chinese
Mr. YAO Shun (姚舜)	No. 119, Lane 3388 Kunyang Road Minhang District, Shanghai, PRC	Chinese
Mr. QIAN Hongbing (錢紅兵)	Room 601, Building 6 Dongdu Jiayuan, No. 7 Wangmei Road Fengshan Subdistrict Yuyao, Ningbo, Zhejiang Province, PRC	Chinese
Ms. YU Yongqun (于泳群)	No. 718 Yangming West Road Yangming Subdistrict Yuyao, Zhejiang Province, PRC	Chinese
Non-executive Directors		
Mr. ZHENG Liding (鄭立丁)	Room 1404, Building 2 Guanyun Jinting, Shunhui Road Yongfeng Administrative Village Fengshan Subdistrict Yuyao, Ningbo, Zhejiang Province, PRC	Chinese
Mr. WU Zuliang (吳祖亮)	Room 901, No. 12, Sub-lane 29, Lane 399 Gongbei Road Huinan Town Pudong New Area, Shanghai, PRC	Chinese
Independent Non-executive Directors		
Dr. FEI Weidong (費維棟)[(1)]	Room 901, Unit 2, Building 4 Yuanding Xiaoqu Nangang District Harbin, Heilongjiang Province, PRC	Chinese
Dr. ZHANG Jie (張傑)[(1)]	Room 1702, Unit 1, Building 4 Yuanding Xiaoqu Nangang District Harbin, Heilongjiang Province, PRC	Chinese
Ms. LIU Xiu (劉秀)[(1)]	5-2-2802, Zhen'ao Yuan Yangfan Road Binjiang District Hangzhou, Zhejiang Province, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Dr. WANG Mingjiang (王明江)[(1)]	14A, Building 13A, Qiaoxiang Village Antuoshan 9th Road Futian District Shenzhen, Guangdong Province, PRC	Chinese
Mr. YANG Hui (楊輝)[(1)]	Room 501, New Building 17 Qiushi Village Xihu District Hangzhou, Zhejiang Province, PRC	Chinese
Mr. HO Kin Cheong Kelvin (何建昌)[(1)]	Room 2709, Ka Yeung House Ka Shing Court, Fanling The New Territories, Hong Kong	Chinese (Hong Kong)

Notes:

(1) As of the Latest Practicable Date, Dr. Fei, Dr. Zhang and Ms. Liu are our independent Directors and will retire in or about December 2026 upon completing their maximum six-year tenure under PRC regulations. Dr. Wang, Mr. Yang and Mr. Ho have been nominated to succeed them and will take office as our independent Directors under PRC regulations upon Shareholders' approval in or about December 2026, with their appointment as our independent non-executive Directors under the Listing Rules taking effect on the **[REDACTED]**. For details, see "Directors and Senior Management."

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

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED]

China Merchants Securities (HK) Co., Limited
32/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal Advisors to our Company

as to Hong Kong and U.S. laws:
Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:
Grandall Law Firm (Shanghai)
25–28/F, Suhe Centre
99 North Shanxi Road
Jing'an District
Shanghai
PRC

	as to international sanctions law: **King & Wood** 10F, Building B4, Xinchen Lin-gang Center Lane 9, North Yunjuan Road Shengang Street Pudong New Area, Shanghai PRC
Legal Advisors to the Sole Sponsor and [REDACTED]	*as to Hong Kong law:* **Tian Yuan Law Firm LLP** Suites 3304–3309 33/F, Jardine House One Connaught Place Central Hong Kong *as to PRC law:* **Haiwen & Partners** 20/F, Fortune Financial Center No. 5, Dong San Huan Central Road Chaoyang District Beijing PRC
Reporting Accountants and Independent Auditor	**BDO Limited** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Jing'an District Shanghai PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office and Principal Place of Business in the PRC	Anshan Road, Mingbang Technology Industrial Park Yuyao Economic Development Zone Zhejiang Province, PRC No. 1166 Lishi Road, Ditang Subdistrict Yuyao, Zhejiang Province, PRC
Headquarters	Anshan Road, Mingbang Technology Industrial Park Yuyao Economic Development Zone Zhejiang Province, PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wan Chai Hong Kong
Company's Website	**www.kfmic.com** *(Information contained in this website does not form part of this document)*
Joint Company Secretaries	**Dr. ZOU Junwei (鄒俊偉)** Anshan Road, Mingbang Technology Industrial Park Yuyao Economic Development Zone Zhejiang Province, PRC **Ms. AU YEUNG Lai Yee (歐陽麗儀)** *An associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	**Dr. BIAN Yijun (邊逸軍)** Anshan Road, Mingbang Technology Industrial Park Yuyao Economic Development Zone Zhejiang Province, PRC **Ms. AU YEUNG Lai Yee (歐陽麗儀)** 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wan Chai Hong Kong
Audit Committee	Mr. HO Kin Cheong Kelvin (何建昌) *(chairperson)* Mr. WU Zuliang (吳祖亮) Dr. WANG Mingjiang (王明江)

CORPORATE INFORMATION

Nomination Committee	Dr. WANG Mingjiang (王明江) *(chairperson)* Ms. YU Yongqun (于泳群) Mr. YANG Hui (楊輝)
Remuneration and Appraisal Committee	Mr. YANG Hui (楊輝) *(chairperson)* Dr. BIAN Yijun (邊逸軍) Mr. HO Kin Cheong Kelvin (何建昌)
Strategy and Sustainability Committee	Dr. BIAN Yijun (邊逸軍) *(chairperson)* Mr. YAO Shun (姚舜) Dr. WANG Mingjiang (王明江) Mr. YANG Hui (楊輝) Mr. HO Kin Cheong Kelvin (何建昌)
Compliance Advisor	**Red Solar Securities (International) Limited** Unit 2208C, 22/F Wu Chung House No. 213 Queen's Road East Wan Chai, Hong Kong

[REDACTED]

Principal Banks	**China Construction Bank Yuyao Sub-branch** No. 2 Dahuangqiao Road Yuyao, Zhejiang Province, PRC **Bank of China Yuyao Branch** No. 58 Shunshui South Road Yuyao, Zhejiang Province, PRC **China Development Bank Ningbo Branch** No. 565 and 577 Haiyan North Road Yinzhou District, Ningbo Zhejiang Province, PRC

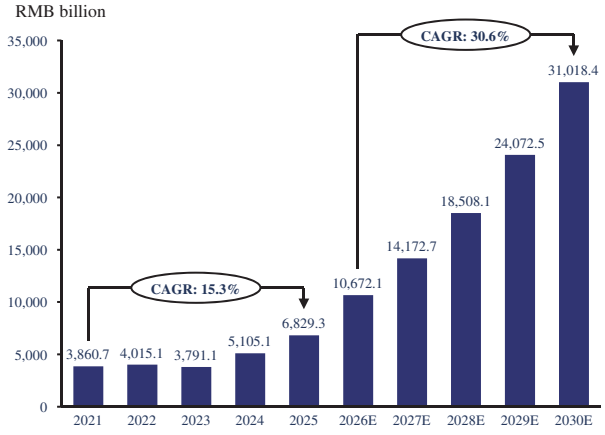
The information and statistics set out in this section and other sections of this document were extracted from different official government publications, publicly available sources, market research and other sources from Independent Third Parties, and from the independent industry report prepared by Frost & Sullivan. The information from official government sources has not been independently verified by us, the Sole Sponsor,* [REDACTED]*, any of their respective directors and advisors, or any other persons or parties involved in the* [REDACTED]*, and no representation is given as to its accuracy.

OVERVIEW OF THE GLOBAL AND CHINA'S SEMICONDUCTOR CHIP INDUSTRY

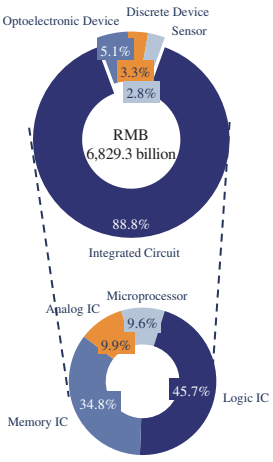
Definition and Market Size of Semiconductor Chips

Semiconductor chips mainly comprise integrated circuits (ICs), discrete devices, optoelectronic devices and sensors, which perform computing, data storage, communication, sensing and control functions. They are the foundation of the digital economy and modern industry. The global semiconductor chip market grew from approximately RMB3,860.7 billion in 2021 to approximately RMB6,829.3 billion in 2025 and is expected to reach approximately RMB31,018.4 billion by 2030. As applications expand and chips become more complex, requirements for material stability, consistency and process compatibility continue to rise, pushing manufacturing toward greater precision.

Global Semiconductor Chip Market Size (by Revenue), 2021–2030E



Breakdown of the Global Semiconductor Chip Market, 2025



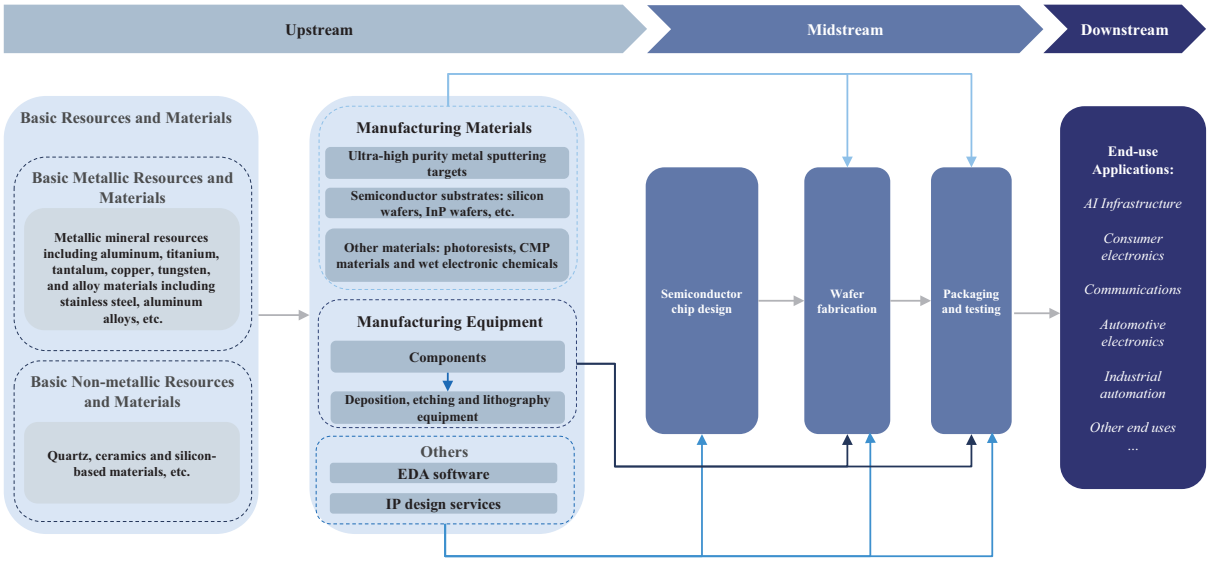
Source: Semiconductor Equipment and Materials International (SEMI), Frost & Sullivan

Semiconductor Chip Value Chain

The upstream segment of the semiconductor chip value chain mainly comprises basic resources and materials, chip manufacturing materials, chip manufacturing equipment and other supporting segments, such as electronic design automation (EDA) software and intellectual property (IP) design services. Manufacturing materials and equipment are the two pillars of midstream chip manufacturing,

which comprises chip design, wafer fabrication, and packaging and testing. The downstream segment covers end-markets such as AI infrastructure, consumer electronics, communications, automotive electronics and industrial automation.

Semiconductor Chip Industry Value Chain



Source: Frost & Sullivan

Continued Advancement in Semiconductor Chip Technologies Drives Growth in the Ultra-high Purity Metal Sputtering Target and Semiconductor Precision Component Markets

As AI moves from improving model capabilities to large-scale applications, token usage has risen rapidly, driving demand for computing power in AI training and inference and, in turn, the expansion and upgrade of AI infrastructure. Semiconductor chips perform the core computing, storage, data transmission and power management functions of AI infrastructure, determine its performance and energy consumption, and account for a major share of its value. As a result, demand for semiconductor chips grows with AI infrastructure.

Increasing chip output alone is no longer sufficient to satisfy AI's demand for computing power, memory bandwidth and energy efficiency. The industry is therefore improving chip and system performance through advanced processes, memory stacking, advanced packaging, optical interconnect and new architectures. These developments add metal interconnect and stacking layers, raise thin-film precision requirements, increase process complexity and drive more equipment investment. Together, they increase both the consumption volume and the unit value of ultra-high purity metal sputtering targets and semiconductor precision components.

Increasing Share of Advanced Logic ICs: Advanced logic ICs mainly refer to logic ICs manufactured at process nodes of 14nm and below, including CPUs, GPUs and systems-on-chip (SoCs) used in AI data centers, servers, smartphones, tablets and personal computers. Advanced processes shrink transistors and upgrade transistor structures, interconnect and manufacturing processes, allowing more transistors in a given area and improving computing performance and energy efficiency. Driven by AI, the share of advanced logic ICs in the logic IC market increased from 67.3% in 2021 to 87.4%

in 2025 and is expected to reach 96.7% in 2030. The global advanced logic IC market grew from RMB671.8 billion in 2021 to RMB2,420.6 billion in 2025, at a CAGR of 37.8%, and is expected to reach RMB15,868.3 billion in 2030, at a CAGR of 44.6% from 2026 to 2030. The Chinese market grew from RMB151.4 billion in 2021 to RMB390.5 billion in 2025, at a CAGR of 26.7%, and is expected to reach RMB1,972.8 billion in 2030, at a CAGR of 38.5% from 2026 to 2030.

Accelerating Growth of Advanced Memory ICs: Advanced memory ICs mainly includes 3D NAND with 176 or more layers and high-bandwidth memory (HBM), which offer high storage density, high bandwidth and large capacity. AI training and inference require greater storage capacity, access speed and bandwidth, widening the performance gap between conventional memory and processors. This gap, known as the "memory wall," has become a key bottleneck for AI infrastructure and is driving rapid growth in advanced memory. Advanced memory's share of the memory market increased from 35.4% in 2021 to 40.9% in 2025 and is expected to reach 52.1% in 2030. Advanced memory products are also evolving toward higher performance, with 3D NAND increasing the number of vertically stacked layers and HBM increasing its stacking layers, interconnect density and bandwidth. The global advanced memory market grew from RMB420.4 billion in 2021 to RMB862.2 billion in 2025, at a CAGR of 19.7%, and is expected to reach RMB5,875.0 billion in 2030, at a CAGR of 32.1% from 2026 to 2030. The Chinese advanced memory market grew from RMB25.9 billion in 2021 to RMB97.7 billion in 2025, at a CAGR of 39.3%, and is expected to reach RMB788.3 billion in 2030, at a CAGR of 35.1% from 2026 to 2030.

Increasing Penetration of Advanced Packaging: Advanced packaging mainly refers to technologies that achieve higher-density interconnection and system-level integration through flip-chip, wafer-level packaging, 2.5D/3D integration and through-silicon vias (TSVs). As advanced processes approach their physical and economic limits, advanced packaging has become a key way to keep improving chip performance and to ease computing and bandwidth bottlenecks. Its share of the packaging market increased from 43.2% in 2021 to 50.5% in 2025 and is expected to reach 57.7% in 2030, as the technology evolves from flip-chip toward 2.5D interposers and 3D stacking. The global advanced packaging market grew from RMB233.9 billion in 2021 to RMB357.5 billion in 2025, at a CAGR of 11.2%, and is expected to reach RMB574.3 billion in 2030, at a CAGR of 9.6% from 2026 to 2030. The Chinese advanced packaging market grew from RMB68.2 billion in 2021 to RMB112.3 billion in 2025, at a CAGR of 13.3%, and is expected to reach RMB215.2 billion in 2030, at a CAGR of 13.6% from 2026 to 2030.

Shift from Electrical to Optical Interconnect: Optical interconnect transmits data using optical rather than electrical signals, offering higher bandwidth, lower transmission loss and better energy efficiency. The shift from copper-based electrical interconnect to optical interconnect is becoming an important direction for AI computing infrastructure, and technologies such as co-packaged optics (CPO) are bringing optical interconnect closer to the chip. The global optical interconnect market grew from RMB345.0 billion in 2021 to RMB1,266.5 billion in 2025, at a CAGR of 38.4%, and is expected to reach RMB9,461.0 billion in 2030, at a CAGR of 44.4% from 2026 to 2030.

Wider use of optical interconnect is expected to drive demand for optoelectronic devices such as lasers, modulators and photodetectors, based on technologies including indium phosphide, gallium nitride and glass-based photonic integration. Manufacturing these devices requires new material systems, functional thin films and precision processing, thereby expanding the addressable markets for ultra-high purity metal sputtering targets and semiconductor precision components. This trend is also expected to drive demand for compound semiconductor materials and accelerate their technological development and commercialization in optoelectronic applications.

Emergence of New IC Architectures: As it becomes harder to improve IC performance by shrinking transistors alone, architectural innovations such as three-dimensional integration, logic stacking, heterogeneous integration and system-level coordination are becoming important ways to keep increasing computing power. In China, architectural optimization has particular strategic importance in improving computing density, shortening signal transmission paths and increasing computing efficiency amid constraints on access to certain advanced process manufacturing capabilities and critical equipment. For example, the Tau (τ) scaling law involves coordination across devices, circuits, ICs and systems and introduces approaches such as logic folding to shorten critical-path interconnects, illustrating the shift from process node scaling alone toward coordinated advances in processes, architectures and systems.

GLOBAL AND CHINESE ULTRA-HIGH PURITY METAL SPUTTERING TARGET MARKETS

Definition, Classification and Value Chain of Ultra-high Purity Metal Sputtering Targets

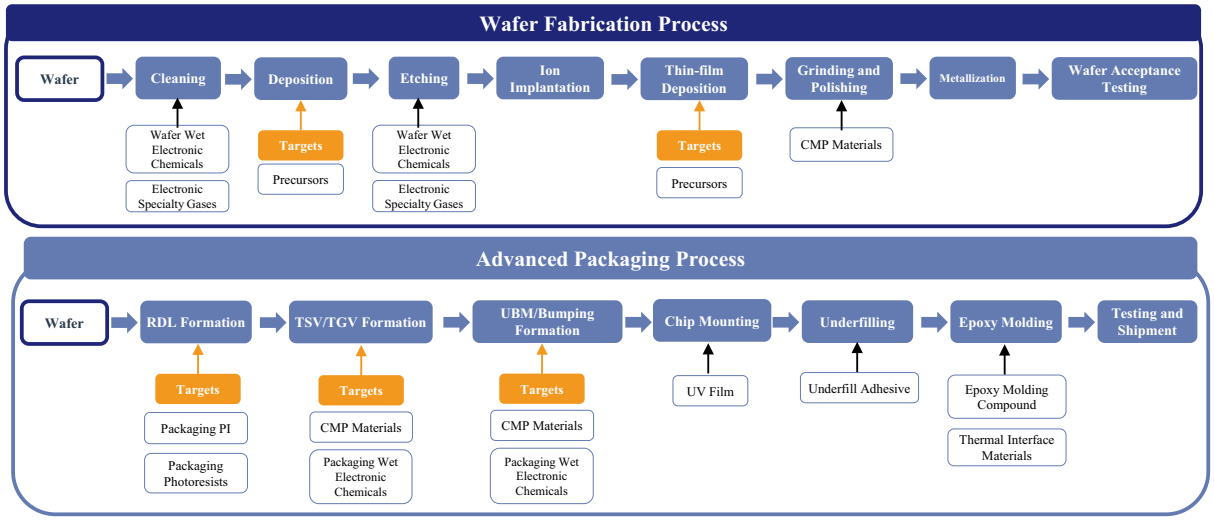
Ultra-high purity metal sputtering targets are critical materials primarily used in physical vapor deposition (PVD) to form functional thin films and remain in the finished chips. Their purity, microstructure and stability directly affect thin-film performance, process stability and yield. The ultra-high purity metal sputtering target value chain comprises upstream raw materials, midstream target manufacturing and downstream applications.

Upstream. The upstream segment covers metal resources and the preparation of ultra-high purity metals. Mainstream targets are made of aluminum, copper, titanium, tantalum, tungsten and their alloys, while other targets use materials such as molybdenum, chromium and precious metals such as ruthenium. Each metal serves a different function in thin-film structures based on its electrical conductivity, diffusion-barrier performance, adhesion and heat resistance.

Midstream. Target manufacturing is the core value-adding stage of the value chain. Manufacturers convert ultra-high purity metals into finished targets through processes including microstructure control, welding, precision machining and ultra-high-cleanliness cleaning. Their process capabilities determine product performance and the ability to achieve stable mass production. Since targets must pass lengthy customer qualification before entering mass production, midstream manufacturers with proven process capabilities hold a pivotal position in the value chain. Their consistent product quality directly affects downstream wafer yield and supports recurring demand.

Downstream. By application, targets are classified into targets for semiconductor chips and targets for flat panel displays and photovoltaics. Targets for semiconductor chips are used mainly in wafer fabrication to form metal interconnects, barrier layers, contact layers and electrodes. They are also used in advanced packaging for high-density interconnection processes, including redistribution layers (RDLs), under-bump metallization (UBM), bumping, through-silicon vias (TSVs) and through-glass vias (TGVs). These targets must meet stringent requirements for purity, impurity control, microstructure, consistency and stability. Targets for flat panel displays and photovoltaics are mainly used in thin-film deposition for display panels and solar cells.

Major Applications of Ultra-high Purity Metal Sputtering Targets in Wafer Fabrication and Advanced Packaging



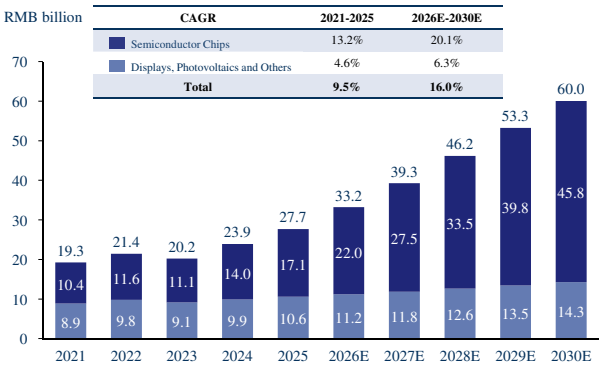
Source: SEMI, Frost & Sullivan

Market Size of Ultra-high Purity Metal Sputtering Targets

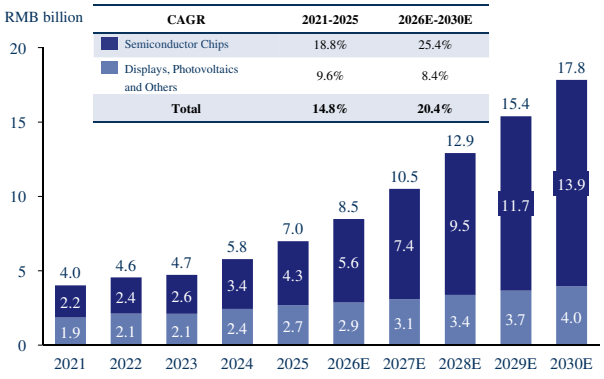
The global ultra-high purity metal sputtering target market grew from RMB19.3 billion in 2021 to RMB27.7 billion in 2025, at a CAGR of 9.5%, and is expected to reach RMB60.0 billion in 2030, at a CAGR of 16.0% from 2026 to 2030. The Chinese market grew faster, from RMB4.0 billion in 2021 to RMB7.0 billion in 2025, at a CAGR of 14.8%, and is expected to reach RMB17.8 billion in 2030, at a CAGR of 20.4% from 2026 to 2030. This growth is expected to benefit Chinese target manufacturers with advanced technology, large-scale capacity and experience serving global customers.

Targets for semiconductor chips are a major and fast-growing part of the market. The global market for ultra-high purity metal sputtering targets used in semiconductor chips is expected to grow from RMB22.0 billion in 2026 to RMB45.8 billion in 2030, at a CAGR of 20.1%, and the Chinese market from RMB5.6 billion to RMB13.9 billion, at a CAGR of 25.4%. Both rates exceed those of the respective overall markets.

Ultra-high Purity Metal Sputtering Target Market Size, Global, 2021–2030E

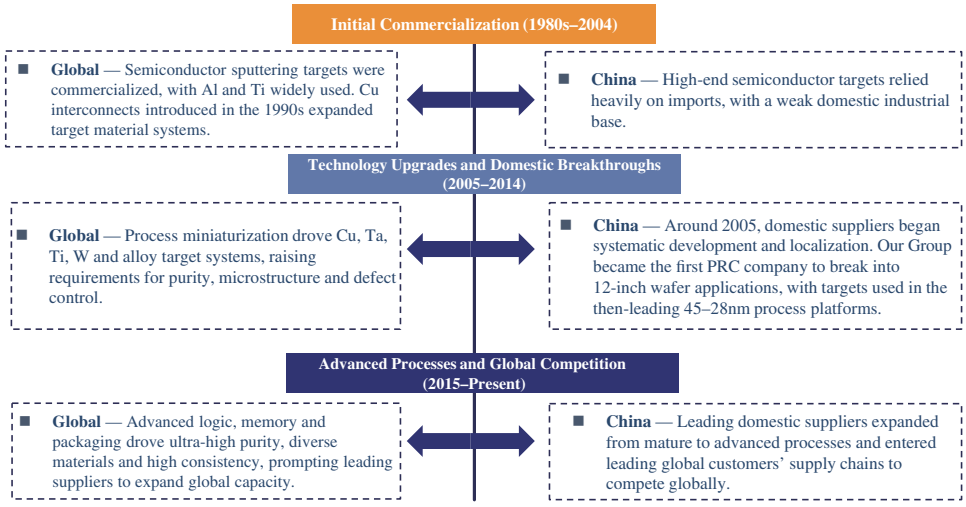


Ultra-high Purity Metal Sputtering Target Market Size, China, 2021–2030E



Source: Frost & Sullivan

Development History of the Ultra-high Purity Metal Sputtering Target Industry



Source: Semiconductor Industry Association (SIA), Frost & Sullivan

Market Drivers and Trends

Growing AI demand for advanced chips: AI is driving the development of advanced logic, advanced memory and advanced packaging and the expansion of related wafer fabrication and packaging capacity. Advanced processes also impose stricter requirements on impurity control, microstructural uniformity and process stability, increasing the penetration and unit value of high-specification targets.

Larger market shares for leading suppliers: As semiconductor manufacturing becomes more regionalized, customers place greater importance on capacity assurance, stable delivery, rapid response and local service. Leading suppliers with global supply systems and cross-regional service capabilities are well positioned to deepen relationships with major international customers, sell more products to existing customers and increase their global market shares.

Accelerating development of advanced semiconductor manufacturing platforms in China: The accelerated development of domestic advanced semiconductor chip manufacturing platforms, together with capacity expansion and technological upgrades, is driving growing demand for critical semiconductor materials, including ultra-high purity metal sputtering targets. Meanwhile, advanced manufacturing processes impose increasingly stringent requirements on material purity, process compatibility and supply stability. Leading suppliers with established relationships with major Chinese wafer foundries, advanced technological capabilities and large-scale delivery capacity are well positioned to benefit from incremental market demand and achieve sustained business growth.

More diverse material systems: As advanced semiconductor chip and optoelectronic device technologies evolve, sputtering target material systems are expanding from aluminum and titanium toward copper and tantalum. In advanced semiconductor manufacturing, copper is increasingly used for high-performance interconnects, while tantalum serves as a key diffusion barrier material, supporting

smaller process nodes and more complex interconnect structures. Increasingly diverse material requirements and greater process complexity are driving multi-material R&D and synchronized development with customers.

Competitive Landscape

The global ultra-high purity metal sputtering target market is highly concentrated. In 2025, the top five suppliers accounted for approximately 49.4% of the market. The Company ranked second globally with a market share of approximately 10.3%. In China, the Company ranked first in 2025, with a market share of approximately 23.3%.

Top 5 Ultra-high Purity Metal Sputtering Target Suppliers, by Revenue, Global, 2025

Ranking	Company	Revenue	Market Share
		(RMB billion)	*(%)*
1	Company A	6.7	24.0%
2	**The Company**	**2.9**	**10.3%**
3	Company B	2.4	8.5%
4	Company C	1.1	3.8%
5	Company D	0.8	2.8%
	Others	13.8	50.6%
	Total	27.7	100.0%

Top 5 Ultra-high Purity Metal Sputtering Target Suppliers, by Revenue, China, 2025

Company	Revenue	Market Share
	(RMB billion)	*(%)*
The Company	**1.6**	**23.3%**
Company A	1.0	14.6%
Company C	0.9	13.0%
Company E	0.3	5.0%
Company F	0.3	4.3%
Others	2.9	39.8%
Total	7.0	100.0%

Notes:

(1) Company A, established in 2002 and headquartered in Tokyo, Japan, is listed on the Tokyo Stock Exchange. It mainly develops, manufactures and sells sputtering targets, high-purity metals and other advanced materials for the semiconductor and electronics industries.

(2) Company B, headquartered in Indianapolis, the United States, is part of a Nasdaq-listed group. It mainly manufactures and sells sputtering targets, surface coatings and other advanced materials for the semiconductor and industrial sectors.

(3) Company C, established in 2000 and headquartered in Beijing, China, is a subsidiary of a company listed on the Shanghai Stock Exchange. It mainly manufactures and sells high-purity metal sputtering targets and other electronic materials.

(4) Company D, established in 1935 and headquartered in Tokyo, Japan, is listed on the Tokyo Stock Exchange. It mainly manufactures and sells chemicals, sputtering targets and other advanced materials for the semiconductor and electronics industries.

(5) Company E, established in 2001 and headquartered in Luoyang, China, is a subsidiary of a company listed on the Shenzhen Stock Exchange. It mainly manufactures and sells metal sputtering targets and related materials for the display and semiconductor industries.

(6) Company F, established in 2002 and headquartered in Fuzhou, China, is listed on the Shenzhen Stock Exchange. It mainly develops, manufactures and sells PVD coating materials, including sputtering targets, for the semiconductor, display and photovoltaic industries.

Source: Company annual reports; Frost & Sullivan

In the market for ultra-high purity metal sputtering targets used in semiconductor chips, the Company ranked second globally in 2025, with a market share of 14.9%, and first in China, with a market share of 37.8%.

Top 5 Ultra-high Purity Metal Sputtering Target Suppliers for Semiconductor Chips, by Revenue, Global, 2025

Ranking	Company	Revenue (RMB billion)	Market Share (%)
1	Company A	5.7	33.1%
2	**The Company**	**2.6**	**14.9%**
3	Company B	2.1	12.5%
4	Company C	1.0	5.6%
5	Company G	0.7	3.8%
	Others	5.0	30.1%
	Total	17.1	100.0%

Top 5 Ultra-high Purity Metal Sputtering Target Suppliers for Semiconductor Chips, by Revenue, China, 2025

Company	Revenue (RMB billion)	Market Share (%)
The Company	**1.6**	**37.8%**
Company A	0.9	20.1%
Company C	0.8	18.9%
Company B	0.1	2.7%
Company G	0.1	1.7%
Others	0.8	18.8%
Total	4.3	100.0%

Note:

(1) Company G, headquartered in New Jersey, the United States, is a Nasdaq-listed company. It mainly manufactures and sells semiconductor materials, including sputtering targets, specialty chemicals and other advanced materials.

Source: Company annual reports; Frost & Sullivan

Entry Barriers

- **Technology barriers:** Targets must meet stringent requirements for purity, impurity control, microstructure, consistency and process stability, and must keep pace with advances in process technology. Know-how in material preparation, microstructure control, precision machining and surface treatment takes years to build, making it difficult for new entrants to achieve stable mass production of high-specification products in the short term.

- **Customer qualification barriers:** Semiconductor chip customers apply strict qualification procedures to target suppliers, typically including sample testing, small-batch validation and production-line introduction. Qualification by leading global wafer foundries and IDMs generally takes approximately two to three years, while product-level validation of semiconductor sputtering targets typically takes approximately six to twelve months, depending on customer and process requirements. Suppliers already qualified by leading global customers benefit from long-term relationships and ongoing feedback on process requirements, which help them co-develop products, expand product categories and increase revenue per customer.

- **Supply chain barriers:** Targets require raw materials with high purity, tightly controlled impurities and consistent quality across batches. Suppliers need stable sourcing channels, comprehensive quality management systems and large-scale production capacity to meet the ongoing delivery needs of global customers. New entrants find it difficult to build such a supply chain quickly.

- **Capital barriers:** The industry requires substantial investment in manufacturing, inspection and analysis, quality control and cleanroom equipment, as well as R&D, while the path from product development and customer validation to mass production is long. Well-funded companies can keep investing in advanced equipment, frontier R&D and new product commercialization to build long-term technological and product advantages.

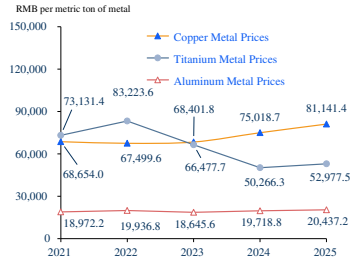
- **Talent barriers:** Target manufacturing draws on materials science, metallurgy and semiconductor chip manufacturing processes. Companies with multidisciplinary R&D teams and experienced engineers can combine materials research, process optimization and customer application experience to innovate more efficiently and develop complex products.

Raw Material Price Analysis

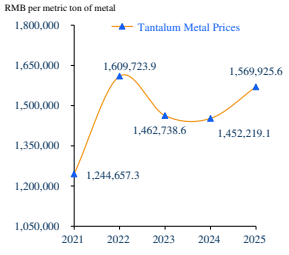
From 2021 to 2025, prices of the major raw materials for ultra-high purity metal sputtering targets were generally stable, although certain metals fluctuated due to differences in resource availability and supply and demand. Aluminum prices remained broadly stable, and copper prices increased moderately. Titanium prices peaked in 2022, declined and then recovered slightly in 2025. Tantalum prices fluctuated but remained relatively high, while tungsten prices kept rising, with a particularly sharp increase in 2025.

Changes in raw material prices affect target costs through procurement and processing. However, target prices also depend on purity, manufacturing complexity, product specifications and customer qualification requirements, and therefore do not necessarily move in line with metal prices.

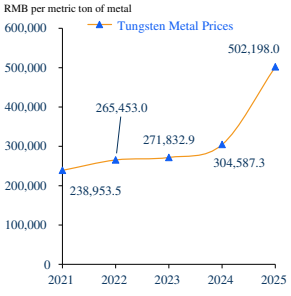
Copper, Titanium, and Aluminum Prices, China 2021–2025



Tantalum Prices, China, 2021–2025



Tungsten Prices, China, 2021–2025



Source: Frost & Sullivan; Shanghai Metals Market (SMM); London Metal Exchange (LME)

CHINA'S SEMICONDUCTOR PRECISION COMPONENTS MARKET

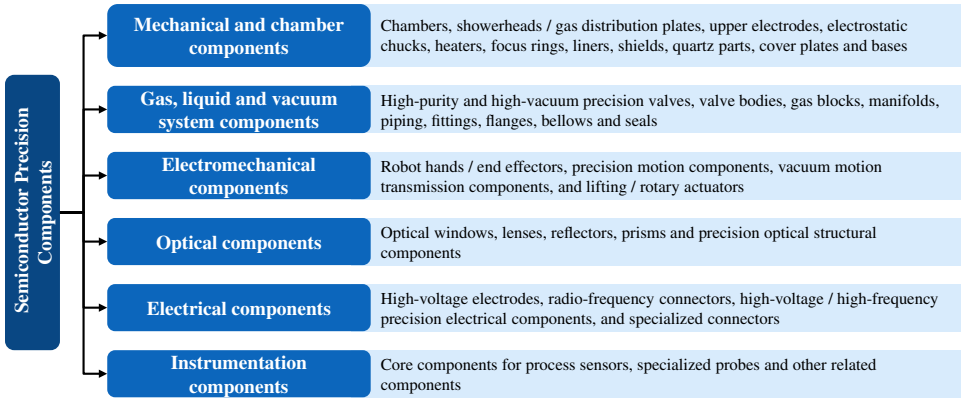
Definition and Classification of Semiconductor Precision Components

Semiconductor precision components are critical parts that enable manufacturing equipment for semiconductor chips (also referred to as semiconductor equipment) to perform functions such as precise motion control, gas and liquid delivery, vacuum control, power supply, inspection and optical processing. Their performance directly affects equipment performance and process precision.

By function, semiconductor precision components are classified into mechanical and chamber components; gas, liquid and vacuum system components; electrical components; electromechanical components; instrumentation; optical components; and others. By service life, they are classified as consumable or non-consumable. Consumable components wear during equipment operation and require periodic replacement. They mainly comprise mechanical and chamber components and the sealing and filtration components of gas and liquid systems. Non-consumable components, such as chambers, high-vacuum precision valves, bases and trays, are subject to less wear and are generally replaced only upon failure, performance decline or a major equipment overhaul.

Semiconductor equipment manufacturers generate first-fit demand for these components in newly built equipment. Certain components are also consumed in operation and must be replaced periodically, which creates recurring replacement demand from wafer foundries and IDMs during operation and maintenance. Replacement demand accounted for 28.3% of the market in 2025 and is expected to remain broadly stable at 29.1% in 2030. In the mechanical and chamber components segment, replacement demand accounted for 43.6% of the market in 2025 and is expected to reach 44.8% in 2030.

Classification of Semiconductor Precision Components

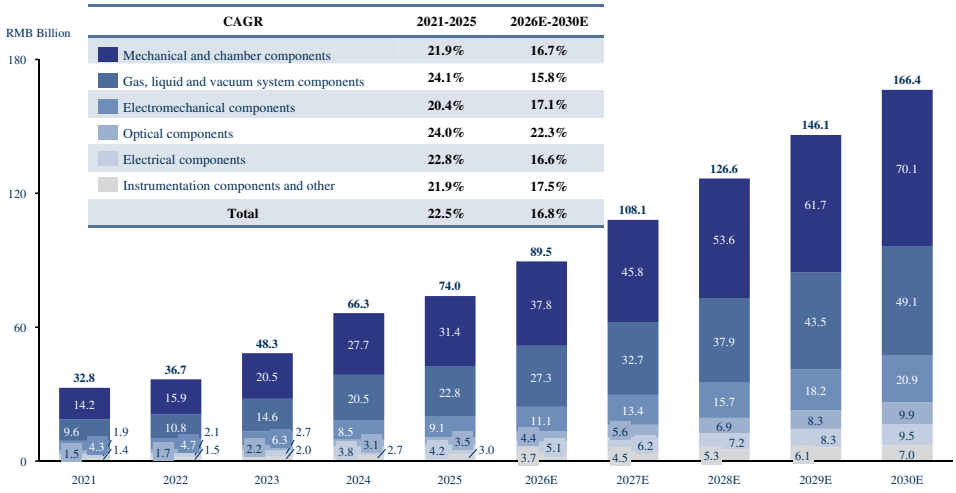


Source: Frost & Sullivan

Market Size of Semiconductor Precision Components in China

China's semiconductor precision components market grew from RMB32.8 billion in 2021 to RMB74.0 billion in 2025, at a CAGR of 22.5%, and is expected to reach RMB166.4 billion in 2030, at a CAGR of 16.8% from 2026 to 2030. Mechanical and chamber components are the largest segment, growing from RMB14.2 billion in 2021 to RMB31.4 billion in 2025, at a CAGR of 21.9%, and are expected to reach RMB70.1 billion in 2030.

Market Size of Semiconductor Precision Components, China, 2021–2030E



Source: Frost & Sullivan

Market Drivers and Trends

Capacity expansion and a growing installed base. AI and other applications are driving demand for advanced logic, advanced memory and advanced packaging, which leads to production-line expansion, equipment investment and first-fit demand for precision components. In China, annual investment in wafer fabs increased from approximately RMB170 billion in 2021 to over RMB300 billion in 2025 and is expected to exceed RMB500 billion by 2030. As the installed base expands and utilization rises, replacement demand for consumable components also continues to grow.

Technology upgrades raising component value. As process nodes shrink and device structures become more complex, equipment has higher requirements for reliability, temperature-control precision, corrosion resistance, surface quality and cleanliness, driving demand for higher-performance, higher-value components. The rapid development of HBM and advanced packaging is also increasing demand for equipment used in advanced bonding, thinning and interconnect processes, creating new opportunities for specialized components.

Faster adoption of domestic components. Supply chain security concerns continue to drive the localization of semiconductor equipment and components in China. Reliance on imports of certain critical components may constrain the production, delivery, maintenance and technology upgrades of domestic equipment. Securing domestic supply of core components has therefore become a key step in localizing the semiconductor value chain and is expected to accelerate the qualification and large-scale adoption of domestic products.

Entry Barriers

Early product development and customer qualification. Localization of certain core components and materials in China remains at an early stage. Companies that identify early the products with high market potential, high technical barriers and low levels of localization, and are among the first to obtain customer qualification and supply in volume can build a first-mover advantage. The customer stickiness created by long qualification processes and the know-how gained through product upgrades further strengthen their supplier position.

Full-Spectrum capabilities aligned with process advances. Each generation of process technology requires matching advances in equipment, components and materials. Compared with companies focused on a single niche, companies with full-spectrum capabilities have more comprehensive product portfolios. Such companies can also anticipate the technical requirements of next-generation processes and develop the relevant materials and components in parallel, better positioning them to participate in customers' early-stage development and reinforce their supplier positions across multiple generations of process technology.

The ability to independently source critical raw materials. Raw material purity, microstructure and batch-to-batch consistency determine component cleanliness, corrosion resistance and service life. Companies with strong capabilities in collaborative development with key upstream material suppliers can jointly undertake material selection, formulation optimization and improvements to preparation processes based on different process conditions and component performance requirements. This helps better match material properties with component functional requirements, providing an advantage in the development and upgrading of high-end products. In terms of raw material supply, close collaboration helps establish stable, long-term supplier relationships, supporting continuity of supply and consistent quality while enabling greater autonomy and control over the supply of key raw materials.

Synchronized product development with customers. Semiconductor precision components are highly customized and must match customers' process conditions, performance specifications and service-life requirements. Companies that engage in synchronized product development with foundries and semiconductor equipment manufacturers and turn customer validation feedback into product improvements are better positioned to move from samples to stable volume supply and secure a strong supply chain position.

Competitive Landscape

Semiconductor precision components cover a wide range of products. Overseas suppliers dominate the market, while domestic companies are catching up quickly. Domestic companies continue to advance in mechanical and chamber components and gas, liquid and vacuum system components, and are expanding into high-end functional components such as electrostatic chucks and precision heaters. They are also gradually extending into electromechanical, optical, electrical and instrumentation components.

In 2025, overseas suppliers held all of the top five positions in China's semiconductor precision components market, and the overall localization rate remained low. The Company ranked third among domestic suppliers with a market share of 1.4%. In the showerhead segment, the Company ranked first among domestic suppliers.

Top 5 PRC Semiconductor Precision Component Companies, by Revenue, China, 2025

Ranking	Company	Revenue	Market Share
		(RMB billion)	*(%)*
1	Company H	2.0	2.7%
2	Company I	1.2	1.6%
3	**The Company**	**1.0**	**1.4%**
4	Company J	0.7	1.0%
5	Company K	0.6	0.8%

Notes:

(1) Company H, established in 2008 and headquartered in Liaoning Province, China, is listed on the Shanghai Stock Exchange. It mainly develops, manufactures and sells precision components.

(2) Company I, established in 2008 and headquartered in Jiangsu Province, China, is listed on the Shanghai Stock Exchange. It mainly develops, manufactures and sells key components for etching and thin-film deposition equipment.

(3) Company J, established in 2009 and headquartered in Jiangsu Province, China, is listed on the Shenzhen Stock Exchange. It mainly engages in the research and development, production and sale of advanced ceramic material components, as well as the provision of surface treatment services for pan-semiconductor equipment.

(4) Company K, established in 2016 and headquartered in Chongqing, China, is listed on the Shanghai Stock Exchange. It mainly engages in the research and development, production and sale of in-chamber components for integrated circuit and display panel manufacturing equipment, as well as the provision of related surface treatment services.

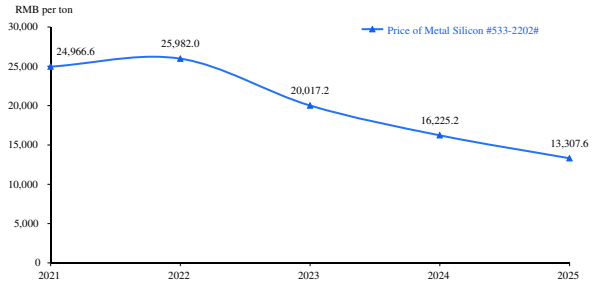
Source: Company annual reports; Frost & Sullivan

Raw Material Price Analysis

Materials for semiconductor precision components include metallic and non-metallic materials. For metallic material prices, see "— Global and Chinese Ultra-high Purity Metal Sputtering Target Markets — Raw Material Price Analysis" above. For non-metallic materials, metal silicon prices,

represented by grade #533-2202#, fell from RMB24,966.6 per ton in 2021 to RMB13,307.6 per ton in 2025. Supply rose significantly as power rationing and production restrictions ended and new capacity came online, while downstream demand growth slowed and inventories stayed high.

Prices of Metal Silicon #533-2202#, China, 2021-2025



Source: CCMN, Frost & Sullivan

SOURCE OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and prepare a report on, the global ultra-high purity metal sputtering targets market and China's semiconductor precision components market. Founded in 1961 in New York, Frost & Sullivan is an independent global consulting firm providing, among others, industry consulting, market strategy consulting and corporate training services. We paid Frost & Sullivan a service fee of RMB520,000 in connection with the research, which we believe is consistent with prevailing market rates.

In preparing the F&S Report, Frost & Sullivan conducted primary research, including interviews with industry participants, competitors, downstream customers and recognized third-party industry associations, as well as secondary research, including reviews of corporate annual reports, databases of relevant official authorities and F&S's proprietary databases built over decades. The projections in the F&S Report are based on the following key assumptions for the forecast period: (i) global social, economic and political conditions will remain stable during the forecast period, (ii) government policies relating to the global ultra-high purity metal sputtering targets market and China's semiconductor precision components market will remain consistent during the forecast period, and (iii) the global ultra-high purity metal sputtering targets market and China's semiconductor precision components market will be driven by the factors set out in the F&S Report.

All data and forecasts in this section are derived from the F&S Report. The commissioned report was prepared independently by Frost & Sullivan without influence from our Company or any other interested parties. Our Directors confirm that, having made reasonable inquiries, they are not aware of any material adverse change in the relevant information since the date of the F&S Report that would qualify, contradict or affect the information presented in this section.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATION IN CHINESE MAINLAND

Industrial Policy

The State Council promulgated the Outline for Promoting the Development of the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》) on June 24, 2014, promoting the development of the integrated circuit industry, and promulgated the Notice of the State Council on Issuing the Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and the Software Industry in the New Era (Guo Fa [2020] No. 8) (《國務院關於印發〈新時期促進集成電路產業和軟件產業高質量發展若干政策〉的通知》(國發[2020]8號)) on July 27, 2020, supporting the development of integrated circuit enterprises (including design, manufacturing, packaging, testing, equipment and materials enterprises) and software enterprises in areas such as fiscal and taxation policies, investment and financing policies, research and development policies, import and export policies, talent policies, intellectual property policies, market application policies and international cooperation policies.

On October 23, 2025, the Fourth Plenary Session of the 20th Central Committee of the Communist Party of China deliberated and approved the Recommendations of the Central Committee of the Communist Party of China on Formulating the 15th Five-Year Plan for National Economic and Social Development (《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》). On March 12, 2026, the Fourth Session of the 14th National People's Congress voted to adopt the Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十五個五年規劃綱要》), which proposed focusing on strategic areas of competition and weak links in industrial and supply chains, promoting decisive breakthroughs in tackling key core technologies in key fields such as integrated circuits across the entire chain.

On December 18, 2023, the Ministry of Industry and Information Technology issued the Guiding Catalogue for the First-Batch Application Demonstration of Key New Materials (2024 Edition) (《重點新材料首批次應用示範指導目錄(2024年版)》), which took effect on January 1, 2024 and expressly includes high-purity tungsten and tungsten alloy targets in advanced semiconductor materials and new display materials, and recognizes them as key strategic materials.

Laws and Regulations Relating to the Company

The Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "**Company Law**") was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993 and came into effect on July 1, 1994. It was last amended on December 29, 2023 and came into effect on July 1, 2024. The Company Law generally governs two types of companies, namely limited liability companies and joint stock limited companies. The Company Law also applies to foreign-invested enterprises. Where the relevant laws on foreign investment provide otherwise, such provisions shall prevail.

Laws and Regulations Relating to Foreign Investment

The investment activities of foreign investors in China are principally regulated by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》) (the "**Encouraged Catalog**") and the Special Administrative Measures (Negative List) for Foreign Investment Access (《外

商投資准入特別管理措施(負面清單)》) (the "**Negative List**"), as promulgated and amended from time to time by the Ministry of Commerce of the People's Republic of China ("**MOFCOM**") and the National Development and Reform Commission ("**NDRC**"), together with 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**") and its implementation regulations and supporting rules.

Pursuant to the Foreign Investment Law promulgated by the National People's Congress (the "**NPC**") on March 15, 2019 and effective on January 1, 2020, foreign investment is subject to a management system of pre-entry national treatment plus a negative list. To ensure the effective implementation of the Foreign Investment Law, the State Council promulgated the Implementation Regulations of the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) on December 26, 2019, which took effect on January 1, 2020.

On December 15, 2025, the NDRC and MOFCOM issued the Catalog of Encouraged Industries for Foreign Investment (2025 Edition) (《鼓勵外商投資產業目錄(2025年版)》), which took effect on February 1, 2026 and replaced the 2022 edition of the Encouraged Catalog.

On September 6, 2024, the NDRC and MOFCOM jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) (《外商投資准入特別管理措施(負面清單) (2024年版)》) (the "**2024 Negative List**"), which took effect on November 1, 2024 and replaced the previous Negative List. Foreign investors are prohibited from investing in industries listed as prohibited in the Negative List, and foreign investment in industries subject to restrictive measures must satisfy certain conditions stipulated in the Negative List. Foreign investment projects not listed in the Negative List are classified as permitted foreign investment projects.

Pursuant to the Measures for Foreign Investment Information Reporting (《外商投資信息報告辦法》), jointly promulgated by the MOFCOM and the State Administration for Market Regulation ("**SAMR**") on December 30, 2019 and effective on January 1, 2020, when foreign investors conduct investment activities in China, directly or indirectly, the foreign investors or the foreign-invested enterprises shall report investment information to the competent commerce authorities.

Laws and Regulations Relating 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 SCNPC on February 22, 1993 and last amended on December 29, 2018, producers and sellers shall establish and improve internal product quality management systems, strictly implement post-specific quality standards, quality responsibilities and corresponding assessment measures, and bear product quality liability in accordance with the provisions of the Law. Producers shall be responsible for the quality of the products they produce. Sellers shall establish and implement a system of inspection and acceptance upon purchase, verify product quality certificates and other markings, and take measures to maintain the quality of the products they sell. Where a defect in a product causes personal injury or damage to property other than the defective product itself, the producer shall be liable for compensation. Where a product defect is caused by the fault of the seller and results in personal injury or damage to the property of others, the seller shall be liable for compensation.

Laws and Regulations Relating to Work Safety

Pursuant to 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**"), promulgated by the SCNPC on June 29, 2002, effective on November 1, 2002, and last amended on June 10, 2021, entities engaging in production and business activities within the territory of China must comply with the Work Safety Law and other laws and regulations relating to work safety, strengthen work safety management, establish and improve a work safety responsibility system covering all staff and work safety rules and regulations, improve work safety conditions, strengthen the standardization and informatization of work safety, enhance work safety standards, and ensure work safety. The principal person in charge of a production and business entity bears overall responsibility for the work safety of that entity. Violations of the Work Safety Law may result in administrative penalties such as fines, suspension of production and business operations, and orders to suspend production or business; where a violation constitutes a crime, criminal liability shall be pursued.

In addition, pursuant to the Hazardous Chemicals Safety Law of the People's Republic of China (《中華人民共和國危險化學品安全法》), promulgated by the SCNPC on December 27, 2025 and effective on May 1, 2026, entities engaged in the production, storage, use, operation and transportation of hazardous chemicals shall perform obligations such as licensing, registration, safety risk control, management of major hazard sources and emergency management in accordance with the law.

Laws and Regulations Relating to Environmental Protection

The Ecological Environment Code of the People's Republic of China (《中華人民共和國生態環境法典》) (the "**Ecological Environment Code**") was adopted by the Fourth Session of the 14th National People's Congress of the People's Republic of China on March 12, 2026 and came into effect on August 15, 2026. Pursuant to the Ecological Environment Code, enterprises, public institutions and other production and business operators shall take effective measures to prevent and reduce environmental pollution and ecological damage, conserve and intensively utilize resources, control greenhouse gas emissions, fulfil their obligations for green and low-carbon development, and bear liability for damage caused in accordance with the law.

Pursuant to the Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》) last amended by the State Council on July 16, 2017 and implemented on October 1, 2017, the State shall implement classified management of ecological environmental impact assessments for construction projects based on the extent of their impact on the ecological environment. A construction entity shall, according to the extent of the construction project's impact on the environment, prepare an ecological environmental impact report, an ecological environmental impact form, or fill in an ecological environmental impact registration form. Where the ecological environmental impact report or ecological environmental impact form of a construction project has not been reviewed by the approval department in accordance with the law, or has not been approved after such review, or has not been re-examined and approved by the original approval department, the construction entity shall not commence construction.

Pursuant to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and implemented on March 1, 2021, and the Measures for the Administration of Pollutant Discharge Permits (《排污許可管理辦法》) issued by the Ministry of Ecology and Environment on April 1, 2024 and effective on July 1, 2024, enterprises, public institutions and other operators that implement the pollution discharge license management shall

apply for and obtain a pollution discharge license in accordance with the law, and shall discharge pollutants according to the requirement of the pollution discharge license, and those who fail to obtain the pollution discharge license shall not discharge pollutants.

Pursuant to the Regulations on the Safety and Protection of Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全和防護條例》), which was promulgated by the State Council on September 14, 2005, last amended on March 2, 2019 and effective on the same date and the Measures for the Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Devices (《放射性同位素與射線裝置安全許可管理辦法》), which was last amended on January 4, 2021 and implemented on the same date by the Ministry of Ecology and Environment, any entity that produces, sells or uses radioactive isotopes and radiation devices within the territory of PRC shall obtain the Radiation Safety Licenses.

Laws and Regulations Relating to Import and Export of Goods

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) which was last amended by the SCNPC on April 29, 2021 and implemented on the same date, all inward and outward means of transport, goods and articles shall enter or leave the PRC by a customs office. In special circumstances, where it is necessary to temporarily enter or leave Chinese territory without passing through a place where a customs office is established, approval to do so shall be obtained from the State Council or an organ authorized by the State Council, and all customs procedures shall be duly completed in accordance with the provisions of that Law. Consignees and consignors of import and export goods and customs declaration enterprises that complete customs declaration formalities shall be filed with the customs in accordance with the law.

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was amended by the SCNPC on December 27, 2025 and effective on March 1, 2026, the Export Control Law of the PRC (《中華人民共和國出口管制法》) which was promulgated on October 17, 2020 and effective on December 1, 2020, and the Regulations of the PRC on Export Control of Dual-Use Items (《中華人民共和國兩用物項出口管制條例》) which was promulgated by the State Council on September 30, 2024 and effective on December 1, 2024, the State imposes licensing and other control measures on the export of controlled items such as dual-use items; export operators exporting items listed in the export control list or subject to temporary control shall apply for a license in accordance with the law and perform obligations such as end-user and end-use management.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "**EIT Law**"), as amended by the SCNPC on December 29, 2018 and effective on the same date, and the Implementation Regulations 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》), as last amended by the State Council on December 6, 2024 and effective on January 20, 2025, an enterprise established within the territory of the PRC in accordance with the law, or established in accordance with the laws of a foreign country (region) but whose place of effective management is within the territory of the PRC, is a resident enterprise, and shall pay enterprise income tax on its income derived from within and outside the territory of the PRC, and the enterprise income tax rate shall be 25%.

Pursuant to the Announcement of the State Taxation Administration on Issues Concerning the Implementation of Preferential Enterprise Income Tax Policies for High and New Technology Enterprises (《國家税務總局關於實施高新技術企業所得税優惠政策有關問題的公告》), issued by the SAT on June 19, 2017, and the Measures for the Administration of the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), as amended by the Ministry of Science and Technology, the Ministry of Finance and the SAT on January 29, 2016, after an enterprise obtains the qualification of a high and new technology enterprise, it shall declare and enjoy the tax preference from the year in which the issuance date stated in the high and new technology enterprise certificate falls, and shall complete filing formalities with the competent tax authority in accordance with the relevant provisions. The qualification of a recognized high and new technology enterprise shall be valid for three years from the date of issuance of the certificate. According to the EIT Law, enterprise income tax shall be levied on high and new technology enterprises at a reduced rate of 15%.

Value-added Tax

Pursuant to the Value-Added Tax Law of the PRC (《中華人民共和國增值税法》), promulgated by the SCNPC on December 25, 2024 and effective on January 1, 2026, and the Implementation Regulations of the Value-Added Tax Law of the PRC (《中華人民共和國增值税法實施條例》), promulgated by the State Council on December 25, 2025 and effective on January 1, 2026, entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets or immovable property within the territory of the PRC, and that import goods, shall pay value-added tax. For the sale of goods, processing, repair and replacement services, and leasing services of tangible movable property within the territory of the PRC, and the import of goods, unless otherwise provided in the aforesaid laws and regulations, the value-added tax rate shall be 13%. For the sale of transportation, postal, basic telecommunications, construction and immovable property leasing services within the territory of the PRC, the sale of immovable property, the transfer of land use rights, and the sale or import of specified goods, unless otherwise provided in the aforesaid laws and regulations, the tax rate shall be 9%. For the sale of services and intangible assets within the territory of the PRC, unless otherwise provided in the aforesaid laws and regulations, the tax rate shall be 6%. The tax rate for exported goods shall be zero, unless otherwise provided by the State Council.

Dividend Distribution

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) which was amended by the SCNPC on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》) which was amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by a PRC company to individual investors are generally subject to withholding income tax levied at a flat rate of 20%. Pursuant to the Announcement on Matters Concerning the Individual Income Tax Policy on Dividends and Bonuses for Foreign Individuals (《關於外籍個人股息紅利個人所得税政策有關事項的公告》), issued by the Ministry of Finance and the SAT on September 1, 2026 and effective on the same date, income from dividends and bonuses obtained by foreign individuals from foreign-invested enterprises shall be subject to individual income tax as "income from interest, dividends and bonuses" at the applicable rate of 20%.

Pursuant to the Notice on Issues Concerning the Differentiated Individual Income Tax Policy on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》), promulgated by the Ministry of Finance, the SAT and the China Securities Regulatory Commission (the "**CSRC**") on September 7, 2015 and effective on September 8, 2015, for shares of

listed companies obtained by individuals via public offerings and market transfer and held for more than one year, the income from dividends and bonuses thereof shall temporarily be exempt from individual income tax. For shares of listed companies obtained by individuals via public offerings and market transfer and held for less than one month (including one month), the income from dividends and bonuses thereof shall be fully included in the individual's taxable income amount; where the shares are held for a period from one month up to one year (including one year), 50% of the income from dividends and bonuses therefrom shall temporarily be included in the individual's taxable income amount; the aforesaid income shall be subject to individual income tax based on 20% tax rate on a unified basis.

Pursuant to the EIT Law and the Implementation Regulations of the Enterprise Income Tax Law of the PRC, commencing from January 1, 2008, for non-PRC resident investors that have not established an establishment or place of business within the territory of the PRC, or that, although having established an establishment or place of business, have income not effectively connected with such establishment or place of business (provided that the dividends are derived from within the territory of the PRC), the dividends obtained by them are generally subject to enterprise income tax at the rate of 10%. However, if the jurisdictions in which such non-PRC resident investors are located have concluded tax treaties with the PRC, the preferential provisions of such tax treaties may apply. Pursuant to the Notice of the State Taxation Administration on Issues Concerning the Withholding of Enterprise Income Tax on Dividends Distributed by PRC Resident Enterprises to Non-Resident Enterprise Shareholders of Overseas H Shares (《國家税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利代扣代繳企業所得税有關問題的通知》), promulgated by the SAT on November 6, 2008 and effective on the same date, from 2008 and in subsequent years, when PRC resident enterprises distribute dividends to non-PRC resident enterprise shareholders of overseas H shares, enterprise income tax shall uniformly be withheld at the rate of 10%.

Pursuant to the Arrangement between Chinese 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税和防止偷漏税的安排》), the PRC government may impose tax on dividends payable by a PRC company to Hong Kong residents (including natural persons and legal persons), but the tax amount shall not exceed 10% of the gross amount of dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company, and the Hong Kong resident is the beneficial owner of the dividends and satisfies other conditions, the tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between Chinese 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税和防止偷漏税的安排〉第五議定書》) came into effect on December 6, 2019, which provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Laws and Regulations Relating to Foreign Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was last amended by the State Council on August 5, 2008 and implemented from the same date, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by the People's Bank of China on June 20, 1996 and effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the

relevant financial institutions have reasonably examined the authenticity of the transactions documents and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC, and Renminbi conversion for such items shall be subject to registration, approval or filing procedures in accordance with the relevant foreign exchange administration.

Pursuant to the Notice on Issues Concerning the Administration of Funds from Overseas Listing of Domestic Enterprises (《關於境內企業境外上市資金管理有關問題的通知》), jointly issued by the People's Bank of China and the State Administration of Foreign Exchange on December 24, 2025 and effective on April 1, 2026, funds raised from an overseas listing by a domestic enterprise shall, in principle, be repatriated to the PRC in a timely manner. If such funds are retained overseas for business such as overseas direct investment, overseas securities investment or overseas lending, the approval or filing documents of the competent business department shall be obtained before the completion of the overseas listing and issuance or the completion of the over-allotment, and the relevant cross-border fund management provisions shall be complied with.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《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》) announced by SAFE and effective on June 9, 2016, and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (《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》) announced and effective on December 4, 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments other than wealth management products and structured deposits with a risk rating of Level 2 or lower. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the purchase of non-self-use residential properties (except for enterprises engaged in real estate development and operation and real estate leasing and operation).

Laws and Regulations Relating to Labor and Social Insurance

Labor Laws and Regulations

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), last amended by the SCNPC on December 29, 2018 and implemented from the same date, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), last amended by the SCNPC on December 28, 2012 and implemented from July 1, 2013, and the Implementation Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), promulgated by the State Council on September 18, 2008 and implemented from the same date, an employer and a worker establishing a labor relationship shall conclude a written labor contract. An employer shall pay labor remuneration to the worker in a timely and full amount in accordance with the labor contract and the relevant laws and regulations.

Social Insurance and Housing Provident Funds

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》), last amended by the SCNPC on December 29, 2018 and effective on the same date; and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), last amended by the State Council on March 24, 2019 and effective on the same date, China has established social insurance systems including basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Employers shall declare and pay social insurance premiums on their own, on time and in full. Where an employer fails to pay social insurance premiums on time and in full, the social insurance premium collection agency shall order it to pay or make up the shortfall within a prescribed time limit, and impose a late payment fee of 0.05% of the outstanding amount for each day of delay from the date of default; if payment is still not made upon expiry of such time limit, the relevant administrative department shall impose a fine of not less than one time but not more than three times the outstanding amount.

Pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), last amended by the State Council on August 10, 2026 and effective on September 20, 2026, an entity shall register the deposit of housing provident funds with the housing provident fund administration center and complete the formalities for opening housing provident fund accounts for its employees. An entity shall deposit housing provident funds on time and in full. Where an entity fails to deposit or underpays housing provident funds beyond the prescribed time limit, the housing provident fund administration center shall order it to deposit the same within a prescribed time limit; if it still fails to do so upon expiry of such time limit, the center may apply to the people's court for compulsory enforcement.

Laws and Regulations Relating to Property Leasing

Pursuant to the Measures for the Administration of Commodity Housing Leasing (《商品房屋租賃管理辦法》), promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and effective on February 1, 2011, within 30 days after the conclusion of a housing lease contract, the parties to the housing lease shall complete the registration and filing of the housing lease with the construction (real estate) department of the people's government of the municipality, city or county where the leased housing is located. In the case of violation, such department shall order rectification within a prescribed time limit; if an individual fails to rectify upon expiry of such time limit, a fine of not more than RMB1,000 shall be imposed; if an entity fails to rectify upon expiry of such time limit, a

fine of not less than RMB1,000 but not more than RMB10,000 shall be imposed. Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), failure to complete the registration and filing formalities for a lease contract shall not affect the validity of the contract.

Laws and Regulations Relating to Intellectual Property

Patents

Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), last amended by the SCNPC on October 17, 2020 and effective on June 1, 2021; and the Implementing Regulations 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》), last amended by the State Council on December 11, 2023 and effective on January 20, 2024, patents include invention patents, utility model patents and design patents. Any entity or individual exploiting a patent of another person shall conclude an exploitation license contract with the patentee and pay a patent royalty to the patentee. Exploiting a patent without the permission of the patentee constitutes an infringement of the patent right.

Trademarks

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), amended by the SCNPC on April 23, 2019 and effective on November 1, 2019 (which was last amended on June 26, 2026 and will be effective on January 1, 2027); and the Implementing Regulations 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》), as last amended by the State Council on April 29, 2014 and effective on May 1, 2014, the term of a registered trademark is 10 years, commencing from the date of approval of registration. Where the term of a registered trademark expires and continued use is required, the trademark registrant shall complete the renewal formalities in accordance with the relevant provisions within 12 months prior to the expiry of the term.

Copyrights

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), last amended by the SCNPC on November 11, 2020 and effective on June 1, 2021; and the Implementing Regulations 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》), last amended by the State Council on January 30, 2013 and effective on March 1, 2013, Chinese citizens, legal persons or unincorporated organizations enjoy copyright in their works, including graphic works such as engineering design drawings, product design drawings, maps and schematic diagrams, model works and computer software, regardless of whether such works have been published.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective on November 1, 2017, the Ministry of Industry and Information Technology supervises and administers domain name services nationwide. Domain name registration services follow the "first-to-file, first-to-register" principle, and domain name registration applicants shall provide domain

name registration service institutions with true, accurate and complete domain name registration information, including the identity information of the domain name holder. Upon completion of domain name registration, the applicant becomes the holder of the registered domain name.

Laws and Regulations Relating to Cybersecurity and Data Security

Pursuant to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, as last amended on October 28, 2025, with the relevant amendments effective on January 1, 2026, network operators conducting business activities and providing services must comply with laws and administrative regulations and perform their cybersecurity protection obligations. In constructing and operating networks or providing services through networks, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and mandatory requirements of national standards to ensure network security and stable operation, effectively respond to cybersecurity incidents, prevent illegal and criminal network activities, and maintain the integrity, confidentiality and availability of network data. In addition, network operators shall not collect personal information unrelated to the services they provide, and shall not collect or use personal information in violation of laws, administrative regulations or the agreements between the parties.

Pursuant to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), promulgated by the SCNPC on June 10, 2021 and effective on September 1, 2021, the State establishes a data classification and grading protection system, and classifies and grades data for protection according to the importance of data in economic and social development and the degree of harm to national security, public interests or the lawful rights and interests of individuals and organizations in the event that data is tampered with, destroyed, leaked or illegally obtained or used. The national data security work coordination mechanism coordinates with relevant departments to formulate a catalogue of important data and strengthen the protection of important data. The State establishes a data security review system to conduct national security reviews of data processing activities that affect or may affect national security.

Pursuant to the Measures for Cybersecurity Review (《網絡安全審查辦法》), jointly promulgated by the Cyberspace Administration of China and several other regulatory authorities of China and effective on February 15, 2022, where critical information infrastructure operators purchase network products and services, or where network platform operators conduct data processing activities, which affect or may affect national security, a cybersecurity review shall be conducted in accordance with such Measures. In addition, where a network platform operator that possesses personal information of more than one million users seeks a listing in a foreign country, it must apply to the Cybersecurity Review Office for a cybersecurity review.

Pursuant to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), promulgated by the SCNPC on August 20, 2021 and effective on November 1, 2021; and the Regulations on the Administration of Network Data Security (《網絡數據安全管理條例》), promulgated by the State Council on September 24, 2024 and effective on January 1, 2025, personal information processors and network data processors shall establish and improve personal information and network data security management systems, and take necessary technical and management measures to safeguard personal information and network data security. Where personal information is provided overseas, the applicable requirements for a security assessment for outbound data transfer, the conclusion of a standard contract for the outbound transfer of personal information or personal information protection certification shall be fulfilled in accordance with law; the overseas

provision of important data shall be subject to a security assessment for outbound data transfer in accordance with law; where the circumstances specified in the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), promulgated by the Cyberspace Administration of China on March 22, 2024 and effective on the same date, are met, such Provisions shall apply.

Laws and Regulations Relating to Overseas Investment

Pursuant to the State Council Regulations on Overseas Investment (《國務院關於對外投資的規定》), issued by the State Council on May 5, 2026 and effective on July 1, 2026, where investors are required to perform procedures such as approval and filing, information reporting and cross-border fund registration in accordance with the law when conducting overseas investment activities, they shall do so in accordance with the relevant provisions of the State, truthfully submit relevant materials, and cooperate with the supervision and inspection of the relevant competent authorities.

Pursuant to the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》)promulgated by the NDRC on December 26, 2017 and effective from March 1, 2018, where investment entities conduct outbound investment, they shall perform procedures such as approval and filing for outbound investment projects, report relevant information and cooperate with supervisory inspections. On October 16, 2026, the NDRC published the Administrative Measures for Outbound Investment (《對外投資管理辦法》), which clarify that investors include domestic enterprises, other organizations and resident individuals, and further improve the systems for reporting on the preliminary work of specific projects, reporting on overseas reinvestment and security review of outbound investment, and clarify the applicable rules for conducting investment in overseas financial markets through channels such as Qualified Domestic Institutional Investors, Hong Kong Stock Connect and Cross-boundary Wealth Management Connect. These measures will take effect on December 1, 2026, at which time the Administrative Measures for the Outbound Investment of Enterprises will be repealed simultaneously.

Pursuant to the Administrative Measures on Overseas Investments, which were most recently amended by the MOFCOM on September 6, 2014 and came into force on October 6, 2014, overseas investment refers to the conduct whereby an enterprise lawfully established within the territory of China establishes, acquires or adopts other means to own a non-financial enterprise overseas or obtain ownership, control, operational management rights and other rights and interests in an existing non-financial enterprise. The MOFCOM and the provincial-level competent commerce authorities implement filing and approval administration respectively for overseas investments of enterprises based on different circumstances. Overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to approval administration; overseas investments of enterprises under other circumstances shall be subject to filing administration. Where an overseas enterprise invested by an enterprise carries out overseas re-investment, the enterprise shall report to the competent commerce authority after completing the overseas legal procedures.

Pursuant to the Provisions on the Foreign Exchange Administration of Overseas Direct Investment by Domestic Institutions (《境內機構境外直接投資外匯管理規定》), promulgated by the State Administration of Foreign Exchange on July 13, 2009 and effective on August 1, 2009; and the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接

投資外匯管理政策的通知》), issued on February 13, 2015 and effective on June 1, 2015, after obtaining approval for overseas direct investment, a Chinese enterprise shall complete foreign exchange registration for overseas direct investment with the bank at its place of registration.

Laws and Regulations Relating to Securities Offering and Overseas Listing

Laws and Regulations Relating to Securities Offering

Pursuant to the Securities Law of the People's Republic of China (《中華人民共和國證券法》), last amended by the SCNPC on December 28, 2019 and effective on March 1, 2020, the securities regulatory authority under the State Council exercises centralized and unified supervision and administration of the national securities market in accordance with the law. Where a domestic enterprise issues securities overseas, directly or indirectly, or lists its securities for trading overseas, it shall comply with the relevant provisions of the State Council. Where shares of a domestic company are subscribed for and traded in foreign currencies, the specific measures shall be separately prescribed by the State Council. The CSRC is the securities regulatory authority established by the State Council, responsible for supervising and administering the securities market in accordance with the law, maintaining market order and ensuring the lawful operation of the market. Currently, the issuance and trading of H Shares are mainly governed by the regulations and rules promulgated by the State Council and the CSRC.

Laws and Regulations Relating to Overseas Listing

Pursuant to the Trial Administrative Measures for the 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》) and five supporting guidelines, promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023, a domestic enterprise in China that issues securities overseas, directly or indirectly, and lists its securities overseas shall perform filing procedures with the CSRC and submit filing reports, legal opinions and other relevant materials within three working days after its application for overseas listing is submitted. If a Chinese company fails to complete the filing procedures, or if the filing documents submitted by the Chinese company contain false records, misleading statements or material omissions, the Chinese company may be ordered to rectify, given a warning and imposed a fine, and its controlling shareholder, actual controller, directly responsible persons in charge and other directly responsible persons may also be imposed fines.

Pursuant to the Provisions on Strengthening the Administration of Confidentiality and Archives in Relation to the Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), jointly issued by the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and effective on March 31, 2023, where a domestic enterprise provides or publicly discloses, or provides or publicly discloses through its overseas listing entity, documents or materials involving State secrets or work secrets of State organs to securities companies, securities service institutions, overseas regulatory authorities or other entities or individuals, it shall report to the competent department with approval authority for approval in accordance with the law and file with the confidentiality administrative department at the same level.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATION IN TAIWAN, CHINA

Cross Strait Investment

In Taiwan, pursuant to the Measures Governing Investment Permit to the People of Mainland Area (大陸地區人民來台投資許可辦法) (announced on July 3, 2009 and latest amended on December 30, 2020) (the "**Measures**"), which is stipulated according to Paragraph 2 of Article 72 and the Paragraph 3 of Article 73 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area (台灣地區與大陸地區人民關係條例) (announced on September 16, 1992 and latest amended on June 8, 2022) (the "**Act**"), the investors of the Mainland Area (the "**Mainland investors**") including the individuals, juristic persons, organizations, other institutions from Mainland and the companies they invest into in a third area, shall submit applications, together with the investment plans, certificates and other required documents, to the Department of Investment Review, Ministry of Economic Affairs (the "**DIR**") for approval prior to investment. The same shall apply if and when such investment plans be changed or amended or any of such investors assign or transfer the investment to a third party. Furthermore, according to Paragraph 1 Article 73 of the Act and Paragraph 2 of Article 8 of the Measures, Mainland Investors may be prohibited from investing in the following enterprises which: (i) are in position of economic exclusive occupancy, oligopoly or monopoly; (ii) have political, social and cultural sensitivity or impact upon Taiwan security; and (iii) have negative influence upon the Taiwan economic development or financial stability, and the invested industry and business shall be also subject to the Positive List for Mainland Investors (大陸地區人民來台投資業別項目正面表列) announced by the DIR.

The invested companies in a third area mentioned in the preceding paragraph refer to those invested by the individuals, juristic persons, organizations and other institutions from Mainland and in one of the following situations: (i) directly or indirectly holding the shares issued by such invested company or the total contributing amount exceeding thirty percent (30%); or (ii) having the controlling power over the companies in a third area. Additionally, the Mainland Investors shall apply for the foreign exchange settlement against the interest accrued on his annual income, or against the profit surplus distributed to such Mainland Investors from his investment.

Pursuant to Article 386 of the Taiwan Company Act (announced on December 26, 1929 and latest amended on December 26, 2025), a foreign company may designate a representative to establish a representative office in Taiwan. In the case of a representative office established by profit-seeking enterprises from Chinese Mainland or by their invested profit-seeking enterprises in a third area (大陸地區之營利事業或其於第三地區投資之營利事業), it shall comply with the Regulations Governing the Permission of Establishing Branches or Representative Offices in Taiwan by Profit-Seeking Enterprises in Chinese Mainland or Their Invested Profit-Seeking Enterprises in a Third Area (大陸地區之營利事業或其於第三地區投資之營利事業在台設立分公司或辦事處許可辦法) (announced on July 3, 2009 and latest amended on November 17, 2022) (the "**Representative Office Regulation**"), including but not limited to (i) only performing the permissible activities (e.g. contracting, providing quotations, price negotiations, bidding, procurement, market research, and the collection, compilation, and analysis of market-related data) and being prohibited from engaging in research and development activities based on Article 14, and (ii) being prohibited from engaging in activities set forth in Article 18.

Foreign Exchange Control

In Taiwan, foreign exchange control is mainly governed by the Foreign Exchange Regulation Act (管理外匯條例) (announced on January 11, 1949 and latest amended on April 29, 2009) (the "**FERA**"). Under the Foreign Exchange Regulation Act, the Central Bank of the Taiwan region is authorized in charge of foreign exchange business and stipulating the declaration rules, i.e. the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions (外匯收支或交易申報辦法) (announced on August 30, 1995 and latest amended on December 26, 2022).

Pursuant to Article 6-1 of the FERA and Articles 4 to 6 of the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions, a company, established in the Taiwan region pursuant to the laws of the Taiwan region or recognized by and registered with the government of the Taiwan region, shall declare its foreign exchange receipts, disbursements or transactions as required according to the remittance brackets and the natures of relevant transactions extracted as follows.

A. No need for declaration — for foreign exchange receipts, disbursements or transactions involving less than NT$500,000 or its equivalent in foreign currency.

B. Direct declaration of foreign exchange settlement — for settlements against the New Taiwan dollar in the following foreign exchange receipts and disbursement or transactions: (a) foreign exchange receipts from export of goods or provision of services to non-residents; (b) foreign exchange disbursements for import of goods, or for services provided by non-residents; (c) foreign exchange purchased or sold within the annual aggregate settlement amount not exceeding the equivalent of US$50 million; and (d) foreign exchange sold by a representative or business office that does not have operating income in Taiwan to cover its office expenses.

C. Declaration of foreign exchange settlement requiring documentation — for settlement of foreign exchange against the New Taiwan dollar in the following foreign exchange receipts and disbursement or transactions: (a) a single remittance with an amount over the equivalent of US$1 million; and (b) remittances approved by the competent authorities for direct investment, portfolio investment or futures trading; and (c) remittances for transactions conducted within the Taiwan region involving goods or services located outside the Taiwan region.

D. Declaration of foreign exchange settlement requiring approval — for settlement of foreign exchange against the New Taiwan dollar in the foreign exchange receipts and disbursement or transactions where essential remittances by the company whose annual aggregate settlement amount of foreign exchange purchased or sold has exceeded the equivalent of US$50 million.

Tax

Business Tax is a form of VAT which is levied on the value of goods and services. According to the Value-added and Non-value-added Business Tax Act (加值型及非加值型營業稅法), the current VAT is 5% on businesses generally. With very few exceptions, VAT is applied on the sale of most kinds of

goods and services by a profits-seeking entity ("**PSE**") and is levied upon the purchaser. The VAT rate is 0% on the export of goods and services. VAT of 5% is applied on the import of goods and services and is paid by the importer.

Under the Income Tax Act (所得稅法), PSE income tax applies to any type of PSE regardless of the form of business, including a company, branch and job site office of foreign legal entities (although no PSE registration is available for a job site office) but with the exception of partnerships and sole proprietorships. A PSE established offshore is subject to income tax only on Taiwan-sourced income. A branch of an offshore PSE is subject to income tax not only on Taiwan-sourced income but also offshore income booked by the branch.

According to the Income Tax Act (所得稅法) and the Standards of Withholding Rates for Various Incomes (各類所得扣繳率標準), the responsible person or accountant in charge of an entity (including government agencies) must withhold tax from certain payments. All payments of interest, and royalties to the foreign entity are subject to withholding tax at 20% and payments of dividends to the foreign entity are subject to withholding tax at 21% unless there is an applicable tax treaty that offers preferential withholding rates.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATION IN SOUTH KOREA

We are subject to various laws and regulations in South Korea that are relevant to our business operations in South Korea.

Commercial Code and Dividend Distribution

The Korean Commercial Code (the "**KCC**") was first enacted on January 20, 1962 and most recently amended on March 6, 2026. Under the KCC, a stock company (jusik hoesa in Korean) is recognized as a legal entity.

According to the KCC, a stock company shall distribute its profits in proportion to the number of shares held by each shareholder, unless otherwise specified in the articles of incorporation. Dividends may only be paid within the limit of the value of the net assets stated on the balance sheet after deducting the amount of capital, the total amount of the capital reserve and the earned surplus reserve accumulated up to the pertinent period for the settlement of accounts, the amount to be accumulated for the pertinent period for the settlement of accounts, and unrealized profits prescribed by Presidential Decree. The decision to distribute dividends is made by resolution of the general meeting of shareholders, except that dividends are resolved by the board of directors where the board approves the financial statements in accordance with the KCC. Before any distribution of profits, the company is required to accumulate, as an earned surplus reserve, an amount of at least 10% of the cash dividends at each period for the settlement of accounts until the reserve reaches 50% of the company's capital. Distributing profits beyond the scope of distributable profits is deemed unlawful and imposes liability on the company and its directors. Additionally, profit distribution cannot take the form of a refund of capital contributions.

The KCC also applies to foreign shareholders of stock companies, while the foreign shareholders of stock companies shall be subject to additional obligations imposed by laws related to foreign investment, including the Foreign Exchange Transactions Act (the "**FETA**") and the Foreign Investment Promotion Act (the "**FIPA**") as further explained below.

Foreign Investment and Foreign Exchange Controls

The FETA applies to all matters concerning foreign exchange and foreign investment, and FIPA stipulates additional obligations applicable to 'foreign investment' that meets specific requirements. Under the FIPA, "foreign investment" is defined to include the case where a foreign entity holds 10% or more of the stocks or shares of a Korean corporation or company that is operated by a national of the Republic of Korea and the investment amount of such foreign entity is KRW100 million or more, and such Korean corporation or company subject to "foreign investment" is referred to as a "foreign-invested company" under the FIPA.

Under the FIPA, international remittance of any profits arising from the shares held by a foreign investor, its sale proceeds and/or related commissions is guaranteed in accordance with the details of a report or permission on the related foreign investment that was filed or obtained as at the time of such remittance, and such foreign investors and/or foreign-invested companies are in principle treated in the same manner the nationals of the Republic of Korea or Korean corporations are treated in respect of their business operation.

Under the FIPA, a foreigner who intends to make a foreign investment is required to make a prior report thereon to the Minister of Trade, Industry and Resources, and a foreign-invested company is required to register as a foreign-invested company with the Minister of Trade, Industry and Resources after completing the payment of its contributions or acquisition of necessary shares.

Under the FETA, any transaction that involves the transfer of shares and the payment of cash in consideration for such shares between residents and non-residents of South Korea is generally subject to a reporting requirement that involves the filing of a report with the Bank of Korea or a relevant foreign exchange bank.

Labour Standards Act (the "LS Act")

The LS Act is the primary legislation in South Korea governing employee relations and sets out minimum requirements for working conditions at the workplace. Any term or provision of an individual employment agreement, the rules of employment which are made by employer or a collective bargaining agreement which fails to meet the minimum requirements under the LS Act becomes null and void. In addition to the LS Act, there are a few statutes which apply to specific labor-related matters.

According to the LS Act, in order to enter into an employment relationship: (a) employers must execute written labor contracts with employees; (b) work hours shall not exceed 40 hours a week, eight hours a day (excluding hours of recess) in general, provided that, where an agreement is made between the parties, work hours may be extended by up to 12 hours per week; and (c) employers shall not, without justifiable cause, dismiss, lay off, suspend, or transfer a worker, reduce wages, or take other punitive measures against employees.

Tax

Withholding tax on dividend income

Under the relevant South Korean tax laws, in the absence of a tax treaty between South Korea and the country in which the foreign company resides, Korean sourced dividend income earned by a foreign company, which does not have a permanent establishment in South Korea, may be subject to Korean withholding tax at the rate of 22% (including local income tax) on the dividend amount.

Under the Korea-Hong Kong Tax Treaty, (a) a withholding tax rate of 10% applies on the dividend income from the Korean corporation to its beneficial owner that is a Hong Kong corporation (excluding partnerships) holding at least 25% of the capital of the Korean corporation, and (b) a withholding tax rate of 15% applies in other cases. However, to benefit from the reduced rate under the above tax treaty, the applicant must submit an application for entitlement to the reduced tax rate, as prescribed under the Korean Corporate Income Tax Act.

Corporate Income Tax Act

Domestic corporations are required to pay corporate income tax in accordance with the Corporate Income Tax Act. Annual filing of corporate income tax return is required. The return is due within three months from the end of the month in which the end of the fiscal year belongs to. Under the Corporate Income Tax Act, from the income of the 2026 fiscal year, the following tax rates shall apply. The tax rate is 11% (including local income tax) for the taxable income up to KRW200 million, 22% (including local income tax) for the taxable income exceeding KRW200 million up to KRW20 billion, 24.2% (including local income tax) for the taxable income exceeding KRW20 billion up to KRW300 billion, and 27.5% (including local income tax) for the taxable income exceeding KRW300 billion.

If other deductions and credits are applicable under the Korean tax act, the effective tax rates applicable to domestic corporations can be further reduced.

Customs Clearance Procedures

Customs clearance in Korea is governed by the Customs Act, which outlines procedures for the import, export, and return of goods. The import clearance process involves submitting an import declaration to the customs office, where details such as the name, standard, quantity, and price of goods must be reported. The declaration is generally made after the arrival of the vessel or aircraft carrying the goods, though pre-arrival declarations are permitted for expedited processing.

The customs process includes screening of documents and physical inspection of goods to ensure compliance with Korean laws and regulations. Inspection methods may vary from selective sampling to full inspections, depending on the nature of the goods and compliance history of the importer. Upon successful inspection and acceptance of the declaration, a Certificate of Import Declaration is issued. Importers are responsible for advance or post-payment of customs duties, depending on the clearance type. Goods can be released from bonded areas upon acceptance of the declaration and payment of applicable duties.

Tariffs

The basic tariff rate is determined based on the classification of the HS Code, the internationally standardized system for classifying goods, established by the World Customs Organization (WCO), used for customs duties, trade statistics, and determining the origin of products. For industrial products, as classified under the HS Code, a tariff rate of 8% or lower is generally applied. Korea has signed more than 20 Free Trade Agreements (FTAs), covering imports from over 50 countries. The preferential tariff rates stipulated in each FTA take precedence over the basic tariff rate when applicable. Additionally, special tariff measures such as anti-dumping duties, retaliatory tariffs, emergency tariffs, countervailing duties, and international cooperation tariffs also take precedence over the basic tariff rate when imposed. Additionally, a customs duty refund system allows exporters or producers to reclaim duties paid on imported raw materials used in the production of exported goods, provided the processing and export occur within two years from the date of importation.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATION IN JAPAN

Laws and Regulations in Relation to Product Liability and Consumer Protection

Pursuant to Product Liability Act of Japan (Act No. 85 of 1994), in the case where a defect in a product causes damage to life, body, or property of others, "the manufacturer, etc." is liable to compensate for such damage. If such product is imported, the importer is included in definition of "manufacturer, etc."

Laws and Regulations in Relation to Labor and Employment

In Japan, there are various labor-related laws, such as Labor Standards Act of Japan (Act No. 49 of 1947), Industrial Safety and Health Act of Japan (Act No. 57 of 1972), and Labor Contracts Act of Japan (Act No. 128 of 2007). Labor Standards Act of Japan stipulates the minimum standards for working conditions, such as working hours, annual paid leave, and days off. Occupational Safety and Health Act of Japan mandates the implementation of measures to ensure workers' safety and for the protection of workers' health in the workplace. Labor Contracts Act of Japan provides for changes in labor contracts and the rules of employment, dismissal, and disciplinary action.

Laws and Regulations in Relation to International Trade/Cross-border Trade

Under Customs Act of Japan (Act No. 61 of 1954), in the case where an importer is accepting goods arriving in Japan from a foreign country, an import declaration shall be filed with Japan Customs in principle and customs duties, if any, shall be paid. When an import declaration is made, Japan Customs shall inspect the goods as necessary, and after confirming that the importer has paid the corresponding customs duties, permit the importation of the goods.

If goods require a permit upon importation under laws and regulations other than the Customs Act of Japan, it would be necessary for an importer to obtain a permit prior to filing the import declaration.

Laws and Regulations in Relation to Tax

Japanese companies are subject to corporation tax, local corporation tax, corporate inhabitant tax and corporate enterprise tax under Corporation Tax Act of Japan (Act No. 34 of 1965), the Local Tax Act of Japan (Act No. 226 of 1950) and other relevant tax laws. The corporate tax rate applicable to an ordinary corporation is in principle 23.2%. For a qualifying small or medium-sized corporation, the rate applicable to the portion of its annual income of not more than JPY8 million is in principle 15%, or 17% in the case of certain corporations with high income. In addition, Japanese companies are subject to several other taxes, including but not limited to fixed asset tax under Local Tax Act.

U.S. EXPORT CONTROL

The U.S. export control framework is established under federal law, primarily through the Export Administration Regulations ("**EAR**"), which are administered by the Bureau of Industry and Security ("**BIS**") within the Department of Commerce. The EAR regulates the export, reexport, and transfer of commercial, dual-use, and certain military items, including hardware, software, and technology. Its jurisdiction covers (i) U.S.-origin items; (ii) items in the U.S. or move in transit through the U.S.; (iii) certain foreign-made items containing more than de minimis controlled U.S. content; and (iv) foreign-produced items that are the direct product of specified U.S. technology or software.

Depending on the nature of the item, destination country, end-use, and end-user, prior authorization from BIS may be required for transactions involving items subject to the EAR. BIS maintains several restricted-party lists, including the Entity List, which designates foreign entities such as companies, research institutions, government and private organizations, and individuals for enhanced trade restrictions. Listed parties are generally restricted from accessing U.S.-origin goods, software, and technology, as well as items containing controlled U.S.-origin content and certain foreign-made products derived from designated U.S. technology or equipment.

SANCTIONS LAWS AND REGULATIONS

The U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") administers and enforces economic sanctions against designated foreign countries, entities, and individuals. These sanctions are established to advance U.S. foreign policy and national security objectives, with significant variations across different sanctions programs. Such programs generally apply to "U.S. persons" as defined in the relevant regulations, as well as to transactions with a U.S. nexus.

The United Nations Security Council ("**UNSC**") imposes mandatory sanctions regimes, which are binding on all UN member states and primarily target threats to international peace and security. The European Union ("**EU**") enacts sanctions via legally binding Council Decisions and Regulations, which are directly applicable across all member states. The United Kingdom ("**UK**") administers its sanctions through the Office of Financial Sanctions Implementation ("**OFSI**") and consolidated lists under its post-Brexit statutory framework. Australia implements sanctions through the Department of Foreign Affairs and Trade, giving effect to both UN obligations and autonomous measures via its domestic legislation. Such regimes typically function by designating specific targets and prohibiting dealings with them, with enforcement carried out by national authorities.

OVERVIEW

We are a global innovator and platform focused on core materials and critical components for the semiconductor industry. Our history dates back to April 2005. In June 2017, the A Shares of our Company were listed on the ChiNext Market of the Shenzhen Stock Exchange (SZSE: 300666). Over the years, we have expanded from sputtering targets to semiconductor precision components, building a dual-growth-engine business model.

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
2005	Our Company was established in Ningbo, Zhejiang Province.
	We produced the first China-made sputtering target for commercial use and developed our first ultra-high purity aluminum sputtering target, establishing our own R&D and manufacturing capabilities for ultra-high purity metal sputtering targets.
2006	We secured the first commercial order for sputtering targets and developed our first ultra-high purity titanium sputtering target.
2008	We completed supplier qualification with a world-leading wafer foundry (Customer A) headquartered in Taiwan Region and commenced batch supplying ultra-high purity metal sputtering targets to it.
2009	We commenced mass production of sputtering targets for semiconductor chips and developed our first ultra-high purity tantalum sputtering target.
2010	We developed our first ultra-high purity copper sputtering target and initiated the construction of our global sales and technical service network.
	We completed supplier qualification with a world-leading integrated device manufacturer (IDM) (Customer C) headquartered in South Korea and commenced batch supplying metal sputtering targets for semiconductor chips to it.
2015	Our "Research and Industrialization of Key Technologies for Sputtering Targets in Very Large Scale Integration (VLSI) Manufacturing" project was awarded the First Prize of the Zhejiang Provincial Technological Invention Award (浙江省技術發明一等獎).
2017	We completed our initial public offering of A Shares and were listed on the ChiNext Market of the Shenzhen Stock Exchange (SZSE: 300666).
2019	We strategically expanded into the semiconductor precision components business and implemented our proximity-to-customer strategy by establishing multiple production bases outside Yuyao.

Year	Milestone
	We were recognized as a National Manufacturing Single Champion Demonstration Enterprise (製造業單項冠軍示範企業) by the MIIT for our "Ultra-High Purity Metal Sputtering Targets for Semiconductor Manufacturing" product.
2020	We developed our ultra-high purity, high-density tungsten sputtering targets for advanced memory chips.
	Our technology center was recognized as a National Enterprise Technology Center (國家級企業技術中心).
2021	Our "Ultra-High Purity Aluminum, Titanium, Copper and Tantalum Metal Sputtering Target Preparation Technology and Application" project was awarded the Second Prize of the National Technological Invention Award (國家技術發明獎二等獎).
	We mastered core fabrication processes and commenced stable mass production and delivery of copper-manganese alloy sputtering targets.
2022	We were recognized as a National Technological Innovation Demonstration Enterprise (國家技術創新示範企業) by the MIIT.
2023	We developed ultra-high purity metal sputtering targets for the 3nm process node and entered the global 3nm process node supply chain.
	We were recognized as a Zhejiang Provincial Leading Enterprise in Science and Technology (浙江省科技領軍企業) by the Department of Science and Technology of Zhejiang Province.
2025	We developed and commenced mass production of tantalum and titanium sputtering targets for hollow cathode magnetron (HCM) applications. Our high-density 300mm tungsten sputtering targets and ultra-high purity 300mm silicon sputtering targets for advanced memory chips achieved stable volume supply.
	We generated revenue at over RMB1.0 billion from our semiconductor precision components business.
2026	We completed full-line commissioning and integrated testing of, and commenced operation at our Huanghu intelligent production base, which incorporates core modules such as intelligent automated warehousing, flexible automated production lines and digital life-cycle system integration.
	We commenced construction of our first overseas sputtering target production base for semiconductor chips in South Korea, advancing our localized on-site service strategy and strengthening global delivery capabilities.
	We acquired control of Kaide Quartz, scaling up our high-purity quartz product offerings and strengthening our capabilities in the non-metallic semiconductor precision components segment.

OUR MAJOR SUBSIDIARIES

We have been continuously expanding our business since inception, and had 52 subsidiaries globally as of the Latest Practicable Date to facilitate rapid and effective implementation of our strategies. Below are the Major Subsidiaries that had strategic importance to our Group or made material contributions to our results of operations during the Track Record Period and up to the Latest Practicable Date.

Name	Date of establishment	Place of establishment	Principal business activities
Konfoong X-Creative	July 1, 2019	PRC	R&D, production and sales of semiconductor precision components
Beijing Konfoong	August 22, 2019	PRC	R&D, production and sales of semiconductor precision components and sales of metal sputtering targets
Shanghai Ruisheng	September 10, 2020	PRC	R&D, production and sales of semiconductor precision components
Kaide Quartz	January 15, 1997	PRC	R&D, production and sales of quartz products
Hong Kong Konfoong	November 25, 2014	Hong Kong	Trading and sales of metal sputtering targets and semiconductor precision components
Ningbo Semiconductor	September 26, 2016	PRC	Production of metal sputtering targets
KFMI JAPAN	May 7, 2018	Japan	Trading and sales of metal sputtering targets
Guangdong Konfoong	January 2, 2019	PRC	R&D, production and sales of semiconductor precision components and metal sputtering targets
Hot Isostatic Pressing	May 4, 2018	PRC	R&D and production of products and technologies related to hot isostatic pressing
Wuhan Konfoong	November 12, 2019	PRC	Production and sales of metal sputtering targets
Jiaxing Konfoong	November 22, 2021	PRC	Investment holding

Name	Date of establishment	Place of establishment	Principal business activities
Shanghai Konfoong	August 31, 2021	PRC	R&D, production and sales of metal sputtering targets, and provision of technical services
Hunan Konfoong Group . . .	May 13, 2022	PRC	Investment holding
Ningbo Jingpan Electronic .	September 19, 2024	PRC	R&D, production and sales of electrostatic chucks
KFAM.	October 31, 2023	South Korea	Proposed production and sales of metal sputtering targets

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

Establishment and Early Development

Our Company was established on April 14, 2005 under the name Ningbo Konfoong Electronic Materials Company Limited (寧波江豐電子材料有限公司), with an initial registered capital of US$12.88 million. Immediately after its establishment, our Company was owned as to 43.0% by Konfoong Group Limited and as to 57.0% by Arai Industry Co., Ltd. (Japan). Konfoong Group Limited was controlled by Mr. ZHU Wenjiang (朱文江), an Independent Third Party. Arai Industry Co., Ltd. (Japan) was controlled by Mr. WATANABE Yutaka, an Independent Third Party.

In October 2007 and August 2008, Arai Industry Co., Ltd. (Japan) and Konfoong Group Limited respectively transferred their entire equity interests in our Company to an entity controlled by Dr. YAO Lijun. Upon completion of the above transfers, our Company became indirectly controlled by Dr. YAO Lijun.

From 2008 to 2013, to fund our strategic growth and broaden our Shareholder base, we completed several rounds of equity financing. Through these financings, we strengthened our capital base to support our R&D initiatives, expand our product mix and scale our operations.

Conversion into a Joint Stock Company

On June 3, 2014, our then Shareholders resolved to convert our Company from a limited liability company into a joint stock company with limited liability. On June 26, 2014, the conversion was completed and our Company became a joint stock company with limited liability, with a total issued share capital of RMB164,070,000.

A-Share Listing on the ChiNext Market of the Shenzhen Stock Exchange

On June 15, 2017, we completed the A-Share Listing on the ChiNext Market of the Shenzhen Stock Exchange (SZSE: 300666). In the A-Share Listing, we issued an aggregate of 54,690,000 A Shares at an issue price of RMB4.64 per A Share, representing approximately 25% of our Company's enlarged share capital, raising net proceeds of approximately RMB212.1 million. Following the completion of the A-Share Listing, the total issued share capital of our Company was RMB218,760,000.

Issuance of Convertible Bonds in 2021

In August 2021, our Company issued 5,165,000 convertible bonds with a par value of RMB100.0 each to the public, raising net proceeds of approximately RMB506.5 million. The net proceeds were mainly used for the expansion of production capacity of ultra-high purity metal sputtering targets and components. The convertible bonds were listed on the Shenzhen Stock Exchange on September 1, 2021 under bond code "123123."

During the conversion period, an aggregate of 9,588,466 A Shares were issued upon conversion of the convertible bonds, increasing our share capital by RMB9,588,466. The outstanding convertible bonds were redeemed on December 22, 2022 and were delisted from the Shenzhen Stock Exchange on December 30, 2022.

Private Placement of A Shares in 2022

In September 2022, our Company issued 19,394,117 A Shares, with a nominal value of RMB1.0 each, to 15 investors at an issue price of RMB85.0 per A Share by way of private placement, raising net proceeds of approximately RMB1,628.7 million. Save for Dr. YAO Lijun, a member of our Single Largest Group of Shareholders, who subscribed for 705,882 A Shares for RMB59,999,970, the remaining 14 investors were Independent Third Parties. The net proceeds were mainly used for the expansion of our production capacity for ultra-high purity metal sputtering targets and the construction of a semiconductor materials R&D center. Following the completion of such private placement, the total issued share capital of our Company increased to RMB255,955,888.

Private Placement of A Shares in 2026

In June 2026, our Company issued 10,650,400 A Shares, with a nominal value of RMB1.0 each, to 11 investors at an issue price of RMB181.01 per A Share by way of private placement, raising net proceeds of approximately RMB1,905.4 million. All investors were Independent Third Parties. The net proceeds were mainly used for the industrialization of electrostatic chucks, the construction of our South Korea production base for ultra-high purity metal sputtering targets and the construction of an R&D and technical service center in Shanghai. Following the completion of such private placement, the total issued share capital of our Company increased to RMB275,971,083.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Save as disclosed below, our Company did not carry out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

On February 5, 2026, our Company and Ningbo Yongjin Zhixiang Enterprise Management Consulting Partnership (Limited Partnership) (寧波甬金智享企業管理諮詢合夥企業(有限合夥)) ("**Ningbo Yongjin**"), a partnership whose general partner is our wholly-owned subsidiary Ningbo Jiangfeng Boxin Technology Co., Ltd. (寧波江豐博鑫科技有限公司), entered into a share transfer agreement with the then controlling shareholders of Kaide Quartz (BSE: 920179), and their concert parties (the "**Transferors**"). Pursuant to the share transfer agreement, (i) our Company agreed to acquire 11,727,127 shares of Kaide Quartz for a consideration of RMB447,624,437.59, and (ii) Ningbo Yongjin agreed to acquire 3,748,500 shares of Kaide Quartz for a consideration of RMB143,080,245.00 (the "**Kaide Quartz Acquisition**"). The total consideration was determined after arm's length negotiations among the parties with reference to the historical financial performance, business prospects

and market prices of the shares of Kaide Quartz on the Beijing Stock Exchange. Concurrently, the Transferors entered into a voting rights waiver agreement with our Company, pursuant to which the Transferors holding remaining shares in Kaide Quartz unconditionally and irrevocably waived the voting rights attached to all of their remaining 14,820,283 shares from the closing date specified in the share transfer agreement until the aggregate shareholding of the Transferors and their concert parties falls below 5%. In addition, pursuant to the share transfer agreement, our Company is entitled to nominate a majority of the board of directors of Kaide Quartz.

The registration of the transfer of an aggregate of 15,475,627 shares of Kaide Quartz was completed on July 1, 2026, and the total consideration was fully settled in August 2026. As of the Latest Practicable Date, our Company controlled Kaide Quartz, and Kaide Quartz became a non-wholly-owned consolidated subsidiary of our Company, by virtue of (i) the aggregate shareholding of 20.78% held by our Company and Ningbo Yongjin, which, as a result of the Transferors' voting rights waiver, together controlled 25.95% of the voting rights in Kaide Quartz, with no other shareholder holding 5% or more of its voting rights, and (ii) our right under the share transfer agreement to nominate, and our nomination of, a majority (seven out of 11) of the directors of Kaide Quartz.

Kaide Quartz is principally engaged in the R&D, production and sales of quartz products for semiconductor chip and photovoltaic applications. We made Kaide Quartz Acquisition to expand our high-purity quartz product offerings and strengthen our position in the semiconductor materials supply chain. Our Directors confirm, after reasonable enquiries, that immediately before entering into the share transfer agreement, Kaide Quartz, the Transferors and their respective ultimate beneficial owners were Independent Third Parties.

None of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Kaide Quartz Acquisition exceeds 25%. Accordingly, no pre-acquisition financial information or pro forma financial information of Kaide Quartz is required to be disclosed pursuant to Rule 4.05A or Rule 4.28 of the Listing Rules.

LISTING ON THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since 2017, our Company has been listed on the Shenzhen Stock Exchange. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable inquiries, there was no material matter that should be brought to the **[REDACTED]** attention in relation to our compliance record on the Shenzhen Stock Exchange. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material administrative penalties or regulatory measures imposed by the CSRC, Shenzhen Stock Exchange or other PRC securities regulatory authorities and we have complied with the relevant laws and regulations on the A-Share Listing applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause it to disagree with the Directors' confirmation with regard to the compliance records of our Company on the Shenzhen Stock Exchange.

HISTORY AND CORPORATE STRUCTURE

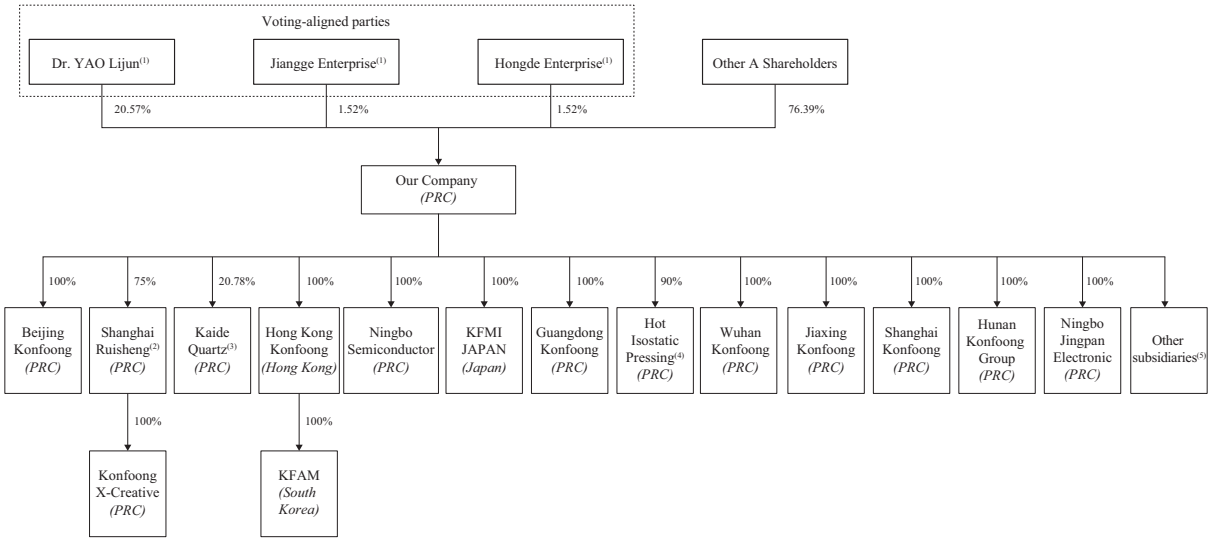
Our Company is seeking a **[REDACTED]** of H Shares on the Stock Exchange to access the international capital markets, and further implement our globalization strategy. For details, see "Business — Our Strategies" and "Future Plans and **[REDACTED]**."

[REDACTED]

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately before the [REDACTED]

The following chart depicts a simplified shareholding and corporate structure of our Group immediately before the **[REDACTED]**, assuming that no changes are made to the total issued share capital of our Company since the Latest Practicable Date and up to the **[REDACTED]**:



Notes:

(1) According to the voting arrangement agreed among Dr. YAO Lijun, Jiangge Enterprise and Hongde Enterprise, Dr. YAO Lijun has the ultimate right to direct the exercise of the voting rights attached to the Shares held by Jiangge Enterprise and Hongde Enterprise in our Company. Dr. YAO Lijun, Jiangge Enterprise and Hongde Enterprise constitute the Single Largest Group of Shareholders. For details, see "Relationship with Our Single Largest Group of Shareholders."

(2) Shanghai Ruisheng is owned as to 6.25% by HU Zhuan (胡專), an Independent Third Party, and 18.75% in aggregate by the remaining 20 minority shareholders, none of whom holds 5% or more of its voting rights and each of whom (save for three connected persons at the subsidiary level) is an Independent Third Party.

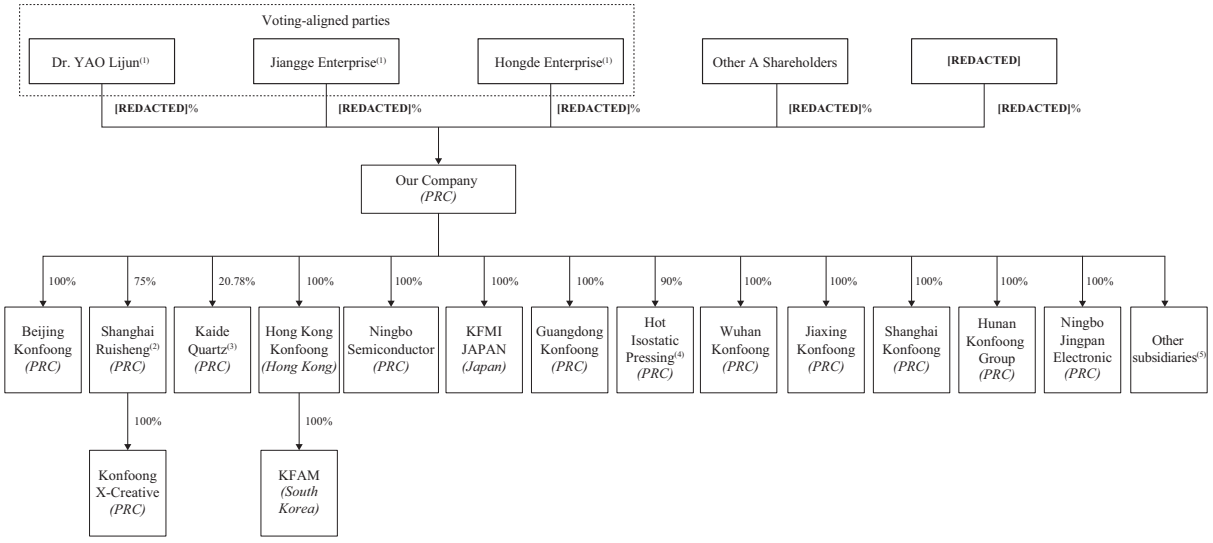
(3) Kaide Quartz (BSE: 920179) is a consolidated subsidiary of our Company by virtue of (i) our direct holding of 15.75% of its issued shares, representing 19.66% of its voting rights, and (ii) the 5.03% shareholding held by Ningbo Yongjin, a subsidiary of our Company, representing 6.29% of its voting rights, taking into account the voting rights waiver entered into by the Transferors. Ningbo Yongjin is a limited partnership whose general partner is our wholly-owned subsidiary Ningbo Jiangfeng Boxin Technology Co., Ltd. The remaining voting shareholders of Kaide Quartz are minority or public shareholders, none of whom holds 5% or more of its voting rights. For details, see "— Major Acquisitions, Disposals and Mergers" above.

(4) Hot Isostatic Pressing is owned as to 10% by HU Zhuan, an Independent Third Party.

(5) As of the Latest Practicable Date, we had 52 subsidiaries globally, including our Major Subsidiaries and other subsidiaries incorporated in domestic and other overseas jurisdictions.

Shareholding and Corporate Structure Immediately upon Completion of the [REDACTED]

The following chart depicts a simplified shareholding and corporate structure of our Group immediately upon completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised and no changes are made to the total issued share capital of our Company since the Latest Practicable Date and up to the **[REDACTED]**:



For notes (1) to (5), see "— Shareholding and Corporate Structure Immediately before the **[REDACTED]***" above.*

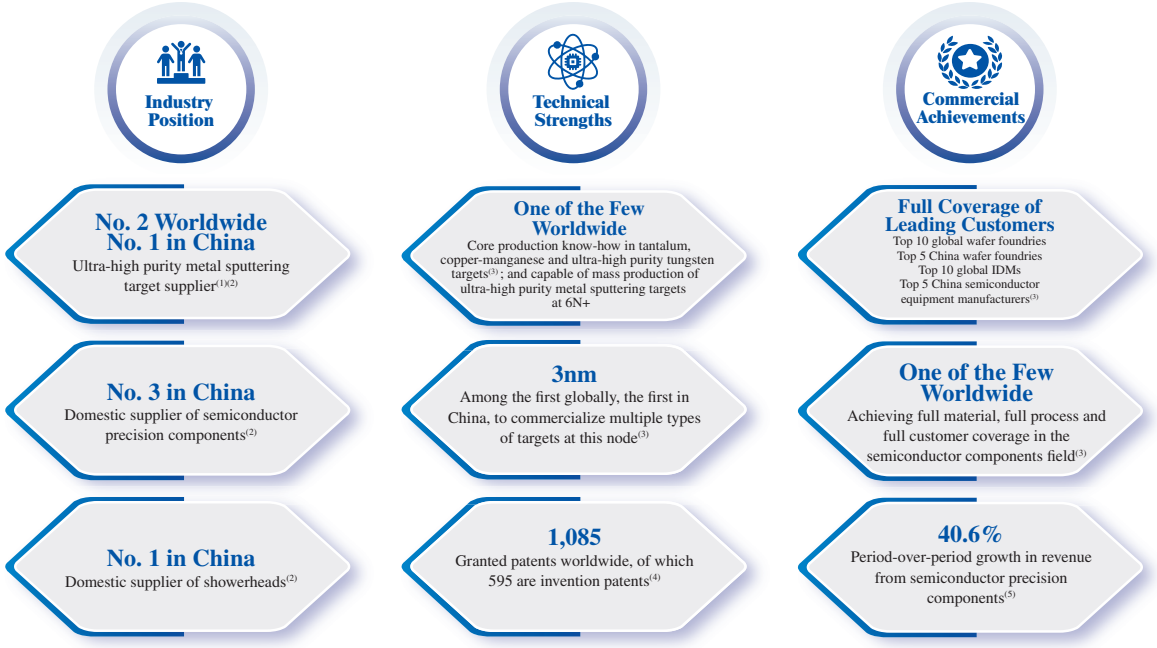
OVERVIEW

Who We Are

We are a global innovator and platform focused on core materials and critical components for the semiconductor industry. According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue in 2025. Over two decades in ultra-high purity metal sputtering targets, centered on our two key focuses of global customers and quality management, we have built three platform-based capabilities, namely materials, equipment and processes. We have extended these capabilities into semiconductor precision components and continue to expand into adjacent products and applications. As an industry innovator and leader, we offer customers across the global semiconductor industry a comprehensive product mix that covers ultra-high purity metal sputtering targets and semiconductor precision components. We support our customers' technology iteration through consistent product quality and synchronized development aligned with their process roadmaps, enabling us to capture opportunities created by the rapid development of artificial intelligence ("**AI**").

Shortly after our establishment, in 2008, we completed qualifications and began supplying ultra-high purity metal sputtering targets to Customer A, a world-leading wafer foundry headquartered in Taiwan. According to Frost & Sullivan, we are the first PRC company to be qualified by all of the world's top ten integrated device manufacturers ("**IDMs**") and top ten wafer foundries to supply ultra-high purity metal sputtering targets.

The following chart sets out the highlights of our business.



Notes:

(1) According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025

(2) According to Frost & Sullivan, based on revenue for the year ended December 31, 2025

(3) According to Frost & Sullivan

(4) As of June 30, 2026
(5) Revenue growth for the six months ended June 30, 2026 compared with the six months ended June 30, 2025

According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025, with a global market share of 10.3% in 2025, and our share of the global market for ultra-high purity metal sputtering targets used in semiconductor chips was 14.9% in 2025. Our vertically integrated capabilities span from incoming-material purity control to target manufacturing, and our products have been applied at scale at 7nm, 5nm and 3nm nodes. We are also developing target products for more advanced processes. The global ultra-high purity metal sputtering target market is highly concentrated, with the top three suppliers together holding approximately 42.8% of the market in 2025. This concentration reflects the market's exacting requirements for technical capability, customer qualification and supply at scale. According to Frost & Sullivan, as of September 2026, we are one of the few companies globally to have achieved mass production of ultra-high purity metal sputtering targets at 6N (99.9999%) and above, to have been among the first to commercialize multiple categories of ultra-high purity metal sputtering targets at the 3nm node, and to have been the first in China to launch a 3nm copper-manganese alloy target for advanced processes.

We entered the semiconductor precision components business in 2019 and have achieved mass production of various components such as showerheads, silicon electrodes and heaters, covering all eight core processes in chip manufacturing, including physical vapor deposition ("**PVD**"), chemical vapor deposition ("**CVD**"), etching and others. We are also pursuing domestic mass production of electrostatic chucks. According to Frost & Sullivan, in 2025, we ranked third among domestic suppliers in China's semiconductor precision components market by revenue, with a market share of 1.4%, and first among domestic suppliers in China's showerhead market.

Our Products and Core Capabilities

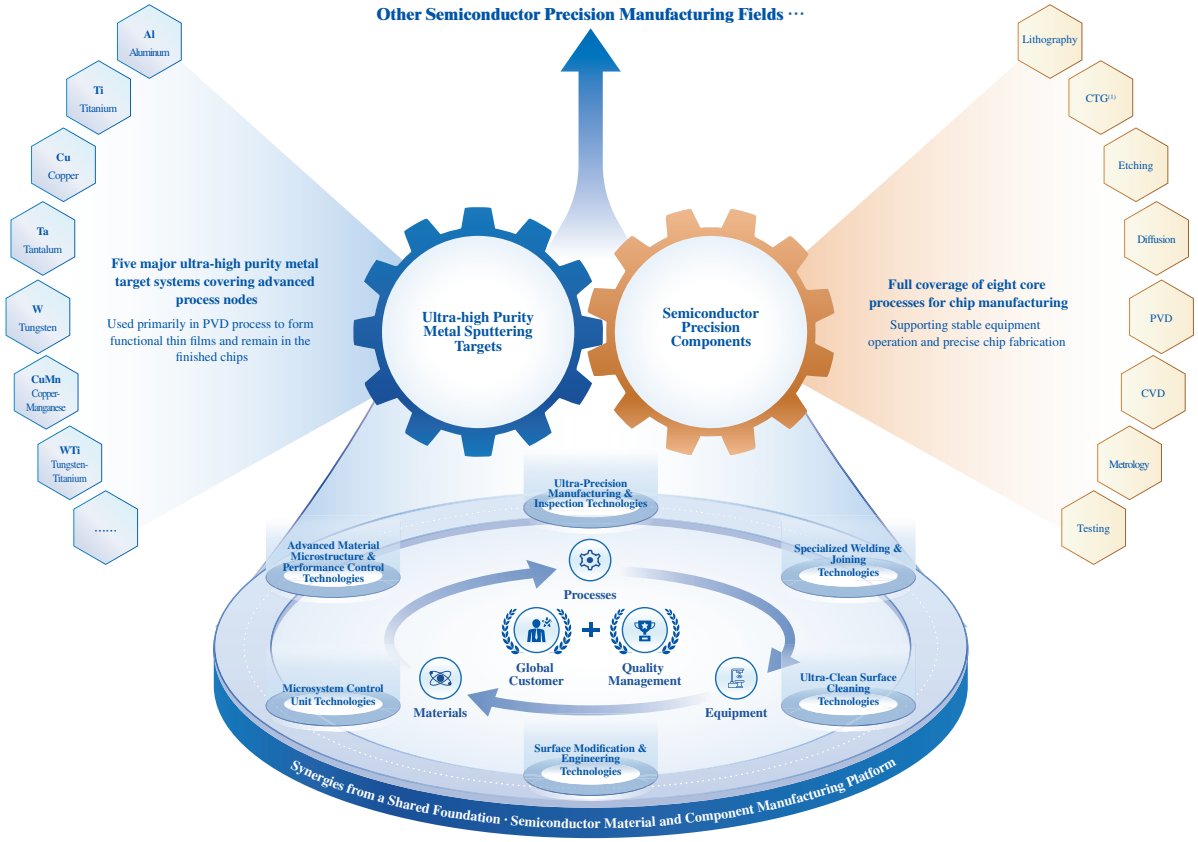
Our products primarily consist of ultra-high purity metal sputtering targets and semiconductor precision components.

Ultra-high purity metal sputtering targets. Our targets are the core material primarily used in the PVD process. In semiconductor chip manufacturing, PVD uses high-energy ion bombardment to eject metal atoms from a target and deposit them on a wafer, forming conductive, barrier and contact-layer films. These metal films are not merely used up in the manufacturing process. Rather, they remain in the finished chip, where they form the metal wiring (interconnects) and other functional layers that make up the chip's circuitry. Our targets are therefore core materials that become an integral part of the chip itself. At the same time, the targets themselves are consumed during sputtering and therefore require ongoing replacement. Our product line primarily comprises five metal systems, namely aluminum, titanium, tantalum, copper and tungsten, together with corresponding alloy targets and rings. According to Frost & Sullivan, we are one of the few companies globally capable of mass-producing ultra-high purity metal sputtering targets across all five metal systems for semiconductor chip use.

Semiconductor precision components. Semiconductor precision components, such as showerheads, silicon electrodes, heaters and metal chambers, are components used by semiconductor equipment manufacturers during equipment manufacturing and by wafer foundries and IDMs in fabrication processes. They distribute reactant gases, control the plasma electric field and hold wafers in place, directly affecting yield and equipment stability. Semiconductor equipment manufacturers generate first-fit demand for these components when they install them in new equipment. Some of these

components are also consumed in operation and must be replaced to maintain process performance, so wafer foundries and IDMs generate recurring replacement demand for them across the installed base during operation and maintenance. According to Frost & Sullivan, we are one of the few companies globally covering the full range of material systems, processes and customer types in semiconductor precision components and locating production close to customers.

Centered on our two key focuses, global customers and quality management, we have integrated six foundational technologies and established three platform-based capabilities in materials, equipment and processes. Building on this foundation, our ultra-high purity metal sputtering targets and semiconductor precision components businesses work in deep synergy to provide a comprehensive product mix covering the entire semiconductor value chain. The figure below illustrates our main business segments and our synergistic semiconductor materials and components manufacturing platforms.



Note:

(1) "**CTG**" refers collectively to chemical mechanical polishing ("**CMP**"), wafer edge trimming and wafer grinding (also known as wafer thinning)

Our Key Focuses

Global Customers. Having passed demanding supplier qualification processes at leading global wafer foundries and IDMs, our target products lay the groundwork for qualifying component products. Leveraging the deep trust built over years of cooperation, we offer comprehensive product mix that

covers ultra-high purity metal sputtering targets and semiconductor precision components, reducing customers' cost of qualifying a new supplier and further strengthening our customer relationships. Meanwhile, our knowledge of customers' process roadmaps, technical standards, quality systems and validation procedures embeds us deeply in the development and iteration of their chip manufacturing processes. Going beyond one-way supply, we engage in synchronized development with customers from the design stage and take part in their next-generation process development at an early stage, rather than waiting for their requirements to be issued. This close engagement supports the timely introduction of new products for next-generation technologies.

Quality Management. The value of target and component quality lies not only in meeting specifications for a single batch but also in stability and consistency from batch to batch and over time, which directly affect wafer process yield and mass production stability. These capabilities enable high-precision, batch-to-batch control across products of the same specification, ensuring highly consistent target film performance and component specifications. This consistency is underpinned by our quality control technologies, including digital closed-loop control of process parameters, statistical process control and full-process inspection at our CNAS-accredited testing center. On this basis, and in line with the industry pattern that each process generation brings a new generation of equipment, components and materials, we establish an early presence in core materials and critical components for next-generation advanced processes with large market potential, high technical barriers and low localization rates. Rigorous customer qualification allows us to enter global advanced-process supply chains early and continues to strengthen our platform advantages.

Our Platform-based Capabilities

Materials. We precisely control the composition and microstructure of our materials through strict process monitoring, testing and traceability, such as impurity management, grain size and crystallographic orientation control. These technologies provide a foundational understanding of material performance and mechanisms, which we reuse and extend to our semiconductor precision components business.

Equipment. Our proprietary core manufacturing equipment supports mass production across product categories. We design and lead the customized production of key equipment such as extra-large hot isostatic pressing ("**HIP**") equipment. In addition, we closely follow the advancement of downstream semiconductor chip process nodes and have deployed inspection equipment covering the entire production flow, so that our product R&D and production capabilities are upgraded in step with customer process nodes.

Processes. Target and component production share key processes, including specialized welding, precision machining, surface treatment and cleaning. We transfer the controls of batch-to-batch consistency and stability developed in target production to components, while application data from sputtering informs component material selection, structural design and coating-process matching. This creates a feedback loop spanning material preparation, component manufacturing, customer application and continuous improvement, forming platform-based process capabilities.

Our Foundational Technologies

Our core technologies for both ultra-high purity metal sputtering targets and semiconductor precision components are built on six foundational technologies, namely advanced material microstructure and performance control, ultra-precision manufacturing and inspection, specialized

welding and joining, ultra-clean surface cleaning, surface modification and engineering, and microsystem control unit technologies. For details, see "— Research and Development — Key Innovation." We have been recognized as a national-level enterprise technology center and have established a national post-doctoral research station. Our core technical team comprises doctorate holders, specialists and senior industry professionals with backgrounds in metallic materials and integrated circuit manufacturing. As of June 30, 2026, we had 569 technical personnel, including one, 12 and 26 individuals recognized under national, provincial and Ningbo municipal talent programs, respectively.

Our Market Opportunities

AI is reshaping semiconductor chip demand and expanding market opportunities for ultra-high purity metal sputtering targets and semiconductor precision components. Training and inference of large AI models require greater computing power, while logic, memory and advanced packaging move toward more advanced technologies and architectures, supporting product-category expansion and technology upgrades.

Advanced logic, advanced memory and advanced packaging are increasing both the consumption volume and the unit value of targets. Advanced logic chips require more metal interconnect layers, while advanced memory, such as three-dimensional NAND ("**3D NAND**") and high-bandwidth memory ("**HBM**"), continues to add stacking layers. In advanced packaging, chips are moving from flip-chip toward 2.5D and 3D integration, and targets are used in high-density interconnection processes such as through-silicon vias ("**TSVs**") and redistribution layers ("**RDLs**"). These developments impose stricter requirements on impurity control, microstructural uniformity and thin-film precision, increasing the penetration and unit value of high-specification targets.

Precision components benefit from wafer-fab capacity expansion, a growing installed base and increasing localization of semiconductor equipment supply in China. First-fit demand from newly installed equipment complements replacement demand from the installed base, and higher wafer fab utilization shortens replacement cycles. Advanced processes also raise equipment requirements for reliability, temperature-control precision, corrosion resistance and cleanliness, increasing the value of precision components. In China, synchronized development and validation between domestic semiconductor equipment manufacturers and local component suppliers are also expected to accelerate the introduction of our component products.

According to Frost & Sullivan, the global ultra-high purity metal sputtering target market grew from RMB19.3 billion in 2021 to RMB27.7 billion in 2025 and is expected to reach RMB60.0 billion in 2030, at a CAGR of 16.0% from 2026 to 2030. Within that market, targets used in semiconductor chips are expected to grow faster, from RMB22.0 billion in 2026 to RMB45.8 billion in 2030, at a CAGR of 20.1%. China's semiconductor precision components market grew from RMB32.8 billion in 2021 to RMB74.0 billion in 2025 and is expected to reach RMB166.4 billion in 2030, at a CAGR of 16.8% from 2026 to 2030.

Leading Customers and Qualification

Our customers mainly consist of wafer foundries, IDMs and semiconductor equipment manufacturers. According to Frost & Sullivan, we have achieved full coverage of the world's top ten wafer foundries, China's top five wafer foundries, the world's top ten IDMs and China's top five semiconductor equipment manufacturers.

We engage in synchronized development with customers from the design-in stage. Because equipment models and process roadmaps differ, we provide customized specification matching and develop targets for new nodes in step with customers' process development. Our understanding of materials technology and sputtering processes enables parallel R&D, target matching and process-parameter optimization, shortening validation cycles and accelerating ramp-up to volume production.

Entering the supply chain of a leading wafer foundry, IDM or semiconductor equipment maker requires approximately two to three years of rigorous review covering product quality, delivery lead times, mass production capability, corporate management and the production environment. We have cleared this threshold, established long-standing customer relationships and received awards on multiple occasions, including "best supplier" and "Grade A supplier" ratings.

Our Financial Performance

Our operating and financial performance further demonstrates our growth potential. We recorded continuous growth during the Track Record Period. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our revenue was RMB2,601.6 million, RMB3,605.0 million, RMB4,604.1 million, RMB2,094.7 million and RMB2,737.3 million, respectively, representing a CAGR of 33.0% from 2023 to 2025. Over the same periods, revenue from our ultra-high purity metal sputtering target business was RMB1,672.6 million, RMB2,333.5 million, RMB2,849.9 million, RMB1,325.1 million and RMB1,670.7 million, respectively. In parallel, revenue from our semiconductor precision components business was RMB570.1 million, RMB886.7 million, RMB1,083.9 million, RMB458.8 million and RMB645.0 million, respectively.

Over the same periods, our profit for the year or period was RMB217.2 million, RMB299.2 million, RMB441.4 million, RMB254.9 million and RMB452.4 million, respectively.

OUR STRENGTHS

Global Leadership in Ultra-High Purity Metal Sputtering Targets, Riding AI-Driven Advanced-Node Demand

We hold a leading position in the global market for ultra-high purity metal sputtering targets. According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025, with a global market share of 10.3% in 2025. In 2005, the year of our establishment, we developed the first ultra-high purity metal sputtering target made in China for commercial use, breaking the long-standing monopoly of multinational suppliers in ultra-high purity metal sputtering materials in China, and in 2008 we completed qualifications and began supplying ultra-high purity metal sputtering targets to Customer A, a world-leading wafer foundry headquartered in Taiwan. Today our target products cover five metal systems, namely aluminum, titanium, tantalum, copper and tungsten, together with the corresponding alloy targets and rings. According to the same source, we are one of the few companies globally able to mass-produce ultra-high purity sputtering targets for semiconductor chip use across these five metal systems and one of the few companies globally with core production technologies covering tantalum targets, copper-manganese alloy targets and ultra-high purity tungsten targets at the same time, which are primarily used in advanced process nodes. We have achieved volume application

at advanced technology nodes including 7nm and 5nm and have entered the 3nm supply chain, making us one of the few suppliers of targets for 3nm advanced processes globally. We are also developing target products for more advanced processes.

AI demand is accelerating high-end target growth, positioning us to further consolidate our leadership. Sputtering targets are a baseline material for chip manufacturing, because every wafer that passes through PVD steps consumes targets. Any expansion of wafer fabrication capacity therefore directly drives demand for targets. Advanced logic, advanced memory and advanced packaging are lifting target volumes, quality requirements and pricing through wafer demand, PVD steps and technical standards. Therefore, we benefit both from stable demand from ongoing wafer production and from incremental volume growth driven by process iteration. The supply chain for copper, tantalum, tungsten and copper-manganese alloy targets for advanced processes is extremely tight. In 2021, we were the first in China to achieve large-scale mass production of copper-manganese alloy targets. In 2025, we developed and commenced mass production of tantalum targets and titanium targets for hollow cathode magnetron ("**HCM**") applications. Our self-developed high-density 300mm tungsten targets have achieved volume application at several internationally recognized memory chip manufacturers, and our ultra-high purity 300mm silicon targets for advanced memory chips have achieved stable volume supply. These advances have increased the share of high-value products in our portfolio.

Sputtering Targets and Semiconductor Precision Components: Two Growth Engines Built on Shared Platform Capabilities

Shared technologies and reusable platform capabilities. Supported by our three platform-based capabilities, our target and components businesses provide a comprehensive product mix across the semiconductor value chain. According to Frost & Sullivan, only a few companies in the semiconductor materials and components industry span multiple core product categories, achieve mass production in each and enter the supply chains of leading global customers; we are one of them. According to the same source, we ranked third among domestic suppliers in China's semiconductor precision components market by 2025 revenue, with a market share of 1.4%.

Broad category coverage in high-value components. We are a core component supplier to a number of well-known domestic semiconductor equipment companies and world-class wafer foundries. We mass-produce components such as showerheads, silicon electrodes and heaters, covering the eight core processes such as PVD, CVD and etching. Our focus includes high-value categories with low levels of localization, such as electrostatic chucks, showerheads and high-vacuum precision valves. In July 2026, through the acquisition of control of Kaide Quartz, we expanded our portfolio of quartz components, further strengthening our presence in non-metallic component categories.

Validated growth momentum. For the six months ended June 30, 2026, revenue from our semiconductor precision components business was RMB645.0 million, representing year-on-year growth of 40.6%. As electrostatic chucks and quartz parts ramp into mass production and our share of existing component products at customers rises, this business is positioned to remain an important engine of revenue and profit growth.

A Full-Chain Technology Moat with R&D Barriers That Are Difficult to Overcome

We have built a full technology chain: we independently develop and evaluate materials, design and develop a full suite of key production equipment together with domestic equipment makers, and develop complete processes tailored to each material. Our technologies therefore span materials,

equipment and processes, which we upgrade together and iterate continuously. Our core technologies are independently developed, and we have built a complete proprietary intellectual property system covering the full production process and across multiple metal materials. Because the application of these technologies depends on long-term accumulation of process know-how, extended validation and qualification by downstream wafer foundries, and close integration with our self-developed and customized production equipment, they constitute high technical barriers that are difficult for competitors to replicate within a short period of time.

Core technology across the whole production chain. Our ultra-high purity metal sputtering targets and semiconductor precision components are built on the six shared foundational technologies: advanced material microstructure and performance control, ultra-precision manufacturing and inspection, specialized welding and joining, ultra-clean surface cleaning, surface modification and engineering, and microsystem control unit technologies. Technologies we first developed for targets, including purity control, impurity management, and grain size and crystallographic orientation control, give us a fundamental understanding of material behavior that we apply directly to components. The two businesses also share key processes, including specialized welding, precision machining, surface treatment and cleaning, and we carry the batch-to-batch consistency controls developed in target production over to components. Building on this common base, we mass-produce copper targets using metal at 6N (99.9999%) purity and above, and tantalum and tungsten targets using metal at the 5N (99.999%) level, for advanced logic and memory chips. Our showerheads, stepped liners and baffle structural parts for 7nm advanced processes have achieved volume supply.

Vertical integration secures supply and speeds ramp-up. We have localized procurement of most raw materials and work with core suppliers on capacity planning and quality control to support secure supply and predictable pricing. In cooperation with domestic equipment makers, we have designed and customized key equipment for plastic working, welding and surface treatment, giving us control over core production equipment. We also track the evolution of downstream semiconductor chip processes closely and continue to install quality inspection equipment covering the full production flow. This close coupling of equipment and processes allows parallel process validation and equipment commissioning, shortening the cycle from R&D to mass production.

Intellectual property and innovation platforms. As of June 30, 2026, we had been granted 1,085 patents globally, including 1,072 in Chinese Mainland and 13 overseas. We have also developed multiple high-level innovation platforms. Our enterprise technology center has been recognized as a national-level enterprise technology center, and we have established a national post-doctoral research station.

Embedded in the Supply Chains of Leading Global Customers through Demanding Qualification

Rigorous, long-cycle customer qualification is a durable barrier to entry in the semiconductor material and component industry, and qualified customers rarely switch suppliers. According to Frost & Sullivan, we have achieved full coverage of the world's top ten wafer foundries, China's top five wafer foundries, the world's top ten IDMs and China's top five semiconductor equipment manufacturers, and we are one of the few companies globally to have entered the supply chains of all of the world's top ten wafer foundries and top ten IDMs. We have also received awards from customers on multiple occasions, including "best supplier" and "Grade A supplier" ratings. Our cross-batch control supports consistent film performance and component specifications, while our capacity-ramp and urgent-order responsiveness support continuous supply.

As equipment configurations and process roadmaps differ, we engage at the design-in stage and provide targets with different grain size and crystallographic orientation specifications to match sputtering requirements. This allows us to participate as customers introduce new-generation processes, rather than waiting for demand to reach us.

Customer-Focused Production Footprint and Global Service Reach

We have built a delivery assurance system that covers the full spectrum of customer needs across production and service. Our target business is centered on our Yuyao base, where quality control and process consistency support customers worldwide. In addition, we are building a sputtering target production base in South Korea to better serve local IDM customers.

We locate our semiconductor precision components capacity close to our customers, with major production bases in Yuyao, Shanghai, Hangzhou, Lishui, Beijing and Shenyang, among others, serving customers in core semiconductor regions in Chinese Mainland. Our customer-proximate strategy allows us to participate in new product development, specification definition, sample trial production and matching validation as equipment and processes change, shortening product qualification timelines. It also supports rapid response to capacity ramp-ups and urgent requirements and allows us to capture procurement, logistics and labor advantages across China's industrial clusters.

Since 2010, we have built a global sales and technical service network and were among the first companies in China's target industry to establish overseas service capabilities. Our network and support bases cover major semiconductor chip manufacturing regions, enabling rapid customer response, component commissioning and fault diagnosis while keeping us close to downstream applications and technology trends.

Visionary Leadership with Deep Technical Expertise and Seasoned R&D Team

Our core competitiveness is rooted in our management's technical background, the professional depth and international perspective of our R&D team, and the culture that drives the organization as a whole.

Our chief technology officer, Dr. YAO Lijun, is an internationally recognized materials expert with long experience in ultra-high purity metal materials and sputtering targets. He holds Ph.D. degrees in metallic materials from Harbin Institute of Technology and Hiroshima University. Dr. YAO Lijun has mastered the core technologies for sputtering targets used in advanced integrated circuit manufacturing and has received the second prize of the National Technological Invention Award. In May 2025, Dr. BIAN Yijun succeeded Dr. YAO Lijun as chairperson of our Board. Dr. BIAN joined our Group in March 2015, served as our executive vice president until December 2023 and now leads our Group's overall business operations and management. Before joining our Group, he successively worked at Semiconductor Manufacturing International Corporation and Wuhan Xinxin Semiconductor Manufacturing Co., Ltd., giving him experience spanning R&D through industrialization. Dr. BIAN holds a Ph.D. in microelectronics and solid-state electronics from Fudan University. He was named a principal contributor to a project that received the Second Prize of the National Technological Invention Award in 2021 and was named a Young Technology Entrepreneur of Zhejiang Province in 2025. The handover demonstrates both the continuity of our technology-driven leadership and the depth of our internal management succession.

Our core technical team comprises doctorate holders, specialists and senior industry professionals with backgrounds in metallic materials and integrated circuit manufacturing. Key members each have more than ten years of semiconductor-industry experience, and we recruit and develop senior industry experts with international backgrounds.

Our mission is "to add glory to Chinese manufacturing," and the Konfoong spirit calls for full effort, perseverance, perfection and a drive to be first. We combine our founding team's technical background with our management team's international perspective and maintain a technology-led, customer-centric organization that responds quickly. This effective combination of entrepreneurial spirit and management system is the fundamental driver of our continued expansion beyond existing industry boundaries and of our long-term competitiveness.

OUR STRATEGIES

Guided by our vision of "becoming a world-class semiconductor company," we are headquartered in China and serve customers worldwide. We will follow leading customers, extend our three platform-based capabilities in materials, equipment and processes further into core materials and critical components, and reuse platform resources across products and applications within the global advanced-process value chain.

We will focus on building reusable platform capabilities that allow our core technologies, manufacturing systems, quality management and global service resources to be efficiently transferred across different products and business scenarios. By closely following the evolving needs of our core customers, extending our foundational capabilities and reusing our platform resources across businesses, we will continue to broaden our growth potential and enhance our overall competitiveness in the global semiconductor value chain.

Consolidate Our Global Leadership in Ultra-High Purity Metal Sputtering Targets

Ultra-high purity metal sputtering targets are our core business and technical foundation. As process nodes advance, we will invest in material purity, grain size, crystallographic orientation and batch-to-batch stability, align R&D with customer process roadmaps, improve existing categories and establish an early presence in new materials and processes.

Strengthen existing metal systems. We will improve tantalum and copper targets for advanced-process chips and continue developing memory-chip targets, including high-density tungsten targets and tungsten alloy targets, to capture HBM-driven capacity expansion. We will also expand specification coverage for aluminum, titanium and their alloys used in advanced packaging processes.

Establish an early presence in next-generation metal systems. We will build capabilities in the material microstructure and performance control of molybdenum and cobalt raw materials, together with target-preparation technology for these metals, so that we are able to supply at scale as soon as they enter mass production in the industry. We will continue to engage in synchronized development with customers from the design-in stage for next-generation processes.

Advance processes and in-house equipment. We will continue to invest in grain size and crystallographic orientation control, large-area dissimilar-metal welding and HIP forming to improve batch-to-batch consistency and extend target service life. Our full-chain intelligent manufacturing system will digitally control process parameters across the production flow. In-house equipment development will support HIP, precision machining and ultra-high-cleanliness cleaning for new categories, while we will retain such equipment for our own production rather than sell it externally.

Expand Our Precision Components Portfolio, Deepen Customer Penetration and Broaden Our Customer Base

Semiconductor precision components benefit from both first-fit demand from newly installed equipment and replacement demand from the installed base. AI-driven wafer-fab capacity expansion, higher utilization and advanced-process requirements for process environment and material durability are increasing demand and technical thresholds. As our second engine of growth, we will extend into categories with high value, high technical barriers and low levels of localization, while increasing category coverage and share at existing customers and expanding to new customers.

Extend into categories with high technical barriers. We have achieved mass production of showerheads, silicon electrodes, heaters, vacuum valves and metal chambers. We will also focus on electrostatic chucks, quartz parts, ceramic parts and silicon parts, which require demanding material performance, downstream finishing and micro-level tolerances and have limited global supplier capacity. This should increase the share and unit value of non-metallic parts in the business.

Increase category coverage and share at customers. Foundries value stable consumable supply and a broader product range, and we will therefore expand our component categories consumed alongside our targets. Semiconductor equipment manufacturers value early involvement and specification alignment, and we will therefore engage sooner in defining specifications for new tool models and in sample validation, completing technical matching before their equipment is introduced. Together these efforts will deepen our penetration of existing customers and help us win new ones.

Capture the Electrical-to-Optical Shift and Establish an Early Presence in Compound Semiconductor Materials

The AI-computing bottleneck is shifting from chip computing power toward data-transfer efficiency, while conventional electrical interconnect approaches physical limits in bandwidth and power consumption. Optical interconnect, with higher bandwidth density and lower power consumption, is driving technologies such as co-packaged optics ("**CPO**") and shifting optoelectronic interconnect and packaging materials toward compound semiconductors such as indium phosphide ("**InP**") and gallium nitride ("**GaN**").

Compound semiconductor materials fit within the capabilities we have built in sputtering targets, because they share key commonalities. (i) Both sit at the same upstream stage of the semiconductor supply chain as foundational wafer-manufacturing materials. Compound semiconductor substrates serve as the physical foundation on which the chip is grown. (ii) Both demand ultra-high purity and controlled microstructure. Our targets primarily achieve purity levels of up to 6N (99.9999%), with impurities controlled to the parts-per-billion (ppb) level. Substrates likewise require high-purity feedstock synthesis and strict control of ingot dislocation density and grain-size uniformity, which determine the finished chip's leakage, on-resistance and yield. (iii) Both face high technical barriers and long qualification cycles, often two to three years or longer, spanning sample testing, small-batch trial

production and large-batch validation. (iv) Both involve complex, multi-step manufacturing in a highly clean environment. (v) Both are evolving toward intelligent manufacturing. These requirements for purity, microstructural uniformity and batch consistency align closely with our existing materials and process capabilities.

We have commenced R&D in compound semiconductors by building core technology reserves for InP substrates, and are advancing production-line construction and capacity build-out, and completing product testing and validation. Compound semiconductor materials are expected to become our third engine of growth after ultra-high purity metal sputtering targets and semiconductor precision components as optics and electronics converge. Going forward, we will also explore the development of targets and precision components tailored to compound semiconductor substrates, completing a full-chain layout from materials to components.

Expand Capacity and Global Coverage, Strengthen Local Delivery and Supply Resilience

With downstream demand continuing to grow, our utilization rates have remained high. For the six months ended June 30, 2026, the utilization rate of our major target products reached 98.1%, leaving little spare capacity, and the utilization rate of our semiconductor precision components was 80.4%. In 2023, 2024 and 2025 and the six months ended June 30, 2026, revenue generated outside Chinese Mainland was RMB1,144.4 million, RMB1,445.5 million, RMB1,568.5 million and RMB804.1 million, respectively. These products are typically advanced-process products with high technical requirements and high added value, supporting further global capacity and delivery-network investment.

Expand capacity and build a global delivery network. In Chinese Mainland, we are progressing with construction of the Huanghu intelligent production base, with flexible automated production lines, intelligent warehousing and logistics, and full-process digital traceability. We also plan new capacity projects in Lishui, Shenzhen, Shenyang and Shanghai, among other locations. Overseas, we will continue constructing our sputtering target production base in South Korea to serve local chip manufacturing customers. We will align capacity and local raw-material procurement with customer expansion in semiconductor clusters in China and overseas, strengthening supply resilience and shortening delivery lead times.

Strengthen local sales and technical service. We will establish sales and technical service operations and local application engineering teams in principal markets to shorten response times for customization and process matching. We will build sales, service and technical support networks covering key markets in East Asia, Southeast Asia and Europe, improving customer reach and market penetration.

Attract and Cultivate Technical and Management Talent, and Drive Growth Through Our Culture

We believe that, in ultra-high purity sputtering targets and semiconductor precision components, technological competition is ultimately competition between talent pipelines. Looking ahead, we will develop talent internally while recruiting externally, and continue to expand our R&D and management teams to support the growth of our existing businesses and our entry into new product categories.

Recruit and develop talent in China and overseas. We will recruit talent in China and overseas across key functions including materials science, precision machining, surface treatment and application engineering. We will develop a pipeline of technical talent through our national post-doctoral research station, and will continue to introduce and develop senior industry experts with international backgrounds.

Build local teams in line with our global footprint. As we extend our capacity and sales network overseas, we will build local R&D and application engineering teams in our principal markets, so that technical support sits close to our customers and shortens response times for product customization and process matching.

Deepen our culture and align incentives with performance. Guided by our core cultural principle of building the business together and succeeding together, we will continue to develop our corporate culture and put it into practice. We will link employees' personal development to the Group's long-term development and refine long-term incentive mechanisms linked to individual contribution and Group performance, including share incentive schemes, to support the attraction and retention of key talent.

OUR PRODUCTS

Overview

We provide a comprehensive product mix to the global semiconductor industry, comprising ultra-high purity metal sputtering targets and semiconductor precision components. The following table sets forth a breakdown of our total revenue by product type, both in absolute amounts and as percentages of our total revenue, for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Ultra-high purity metal sputtering targets	1,672,566	64.3%	2,333,453	64.7%	2,849,933	61.9%	1,325,137	63.3%	1,670,744	61.0%
Semiconductor precision components	570,121	21.9%	886,702	24.6%	1,083,879	23.5%	458,794	21.9%	645,038	23.6%
Other businesses[(1)]	358,922	13.8%	384,808	10.7%	670,289	14.6%	310,761	14.8%	421,528	15.4%
Total	**2,601,609**	**100.0%**	**3,604,963**	**100.0%**	**4,604,101**	**100.0%**	**2,094,692**	**100.0%**	**2,737,310**	**100.0%**

Note:

(1) Primarily including the sales of spent targets, scrap materials and other materials, as well as provision of technical and cleaning services.

We provide leading wafer foundries, IDMs and semiconductor equipment manufacturers with a systematic and synergistic product mix. Our target product lines mainly cover five major metal systems, namely aluminum, titanium, tantalum, copper and tungsten, as well as corresponding alloy targets and rings. We expanded into the semiconductor precision components business in 2019, and have since actively pursued mass-production coverage across product categories while strategically advancing into high-value categories. Our ultra-high purity metal sputtering targets and semiconductor precision components are supplied to wafer foundries and semiconductor equipment manufacturers and, through semiconductor chip manufacturing, ultimately serve the following end markets:



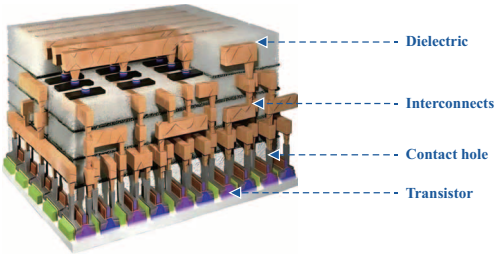
The rapid growth of the AI industry is driving higher chip performance across advanced process nodes, advanced memory and advanced packaging. These developments are transmitted upstream along the industry value chain, fueling demand growth and technological upgrades for ultra-high purity metal sputtering targets and semiconductor precision components.

Ultra-high Purity Metal Sputtering Targets

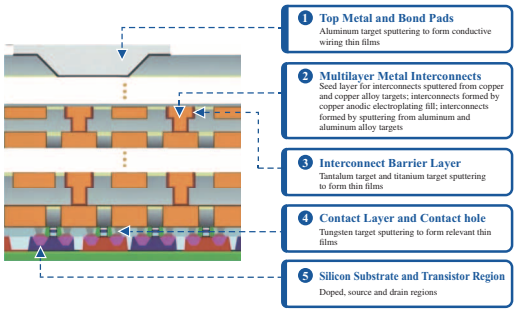
Ultra-high purity metal sputtering targets are specialized materials used primarily in the manufacture of semiconductor chips. They serve as the source material in PVD, a process in which atoms are ejected from a target surface and deposited onto a substrate such as a silicon wafer to form conductive, barrier and contact-layer films for electronic circuits. The thin metal layers formed using ultra-high purity metal sputtering targets create critical on-chip metal interconnects for current transmission and signal interconnection, forming networks that connect computing units, memory cells and logic nodes to enable computation. According to Frost & Sullivan, ultra-high purity metal sputtering targets are core foundational materials for key metallization processes in wafer fabrication and advanced packaging, serving as critical materials for connecting transistors and building on-chip and packaging interconnect pathways, as well as for safeguarding process stability and yield in advanced manufacturing. Sputtering targets are typically customized for specific semiconductor fabrication processes, and fabs impose stringent consistency and performance requirements. As a result, the barriers to switching sputtering target suppliers are high.

We mainly sell these products to wafer foundries and IDMs. We produce ultra-high purity metal sputtering targets, namely aluminum (Al), titanium (Ti), copper (Cu), tantalum (Ta), tungsten (W), various ultra-high purity metal alloy targets and matching rings. The purity of thin films sputtered onto wafers is closely tied to the purity of the sputtering targets used. As semiconductor chip manufacturing advances toward higher precision and increasingly fine nanometer-scale process nodes, demand for higher-purity sputtering targets is expected to continue to rise. Certain of our products have been qualified at the 3nm process node, and we continue to advance toward more advanced nodes. According

to Frost & Sullivan, we are one of the few manufacturers that have mastered the core technologies required to produce target products for the most advanced nodes. The following pictures illustrate the placement of our sputtered target materials within the internal structure of a semiconductor chip:



Schematic 3D Internal Structure of the Chip



Schematic Front View of the Internal Structure of the Chip

The following sets forth a description of each of our principal types of ultra-high purity metal sputtering targets and their key features:

Type of Metal Sputtering Target	Product Description
Aluminum target products 	• Ultra-high purity aluminum and aluminum alloy targets are widely used materials for forming wiring, or interconnect, thin films in semiconductor chips, primarily for conductive layers at process nodes of 110nm and above. • Reliable interconnect-layer solution for mature semiconductor manufacturing processes. • Aluminum targets continue to be used in advanced process nodes, primarily for the top metal layers of chips.
Titanium target products 	• Ultra-high purity titanium is one of the most commonly used barrier-layer thin film materials and is used together with aluminum, with titanium target products used primarily in process nodes from 130nm to 5nm. • A titanium ring is used together with a titanium target during the sputtering process.

Type of Metal Sputtering Target	Product Description
Copper target products 	• Ultra-high purity copper targets, together with copper-manganese and copper-aluminum alloy targets, are widely used as conductive-layer thin film materials for semiconductor chips at technology nodes from 90nm to 3nm. • Copper-based alloy targets, including copper-manganese and copper-aluminum alloy targets, are used in advanced conductive-layer applications. • Copper's lower electrical resistance compared with aluminum supports faster signal transmission and improved chip performance.
Tantalum target products 	• Ultra-high purity tantalum is used as a barrier-layer thin film material in copper-interconnect processes from 90nm to 3nm, preventing copper diffusion and supporting device reliability. • A tantalum ring is used together with a tantalum target during the sputtering process. • Due to tantalum's high melting point and processing difficulty, tantalum target products are technically demanding sputtering target products to manufacture.
Tungsten target products 	• Ultra-high purity tungsten targets are used primarily in memory chips as thin-film materials in memory processes, including DRAM and 3D NAND. • Tungsten's high density and high melting point make it suitable for demanding memory thin-film applications.

Key features of our target products include:

- ***Application-specific product engineering:*** Target materials, geometries and specifications are engineered for specific technology nodes, customer tool sets and process requirements across logic, memory and other integrated-circuit applications;
- ***Broad technology-node coverage:*** The product portfolio supports integrated circuit manufacturing requirements spanning mature and advanced process nodes from 180nm to 3nm;
- ***Highly customized, customer-qualified products:*** Each target is engineered to the customer's specific equipment, process parameters and performance requirements and validated within the customer's qualified manufacturing flow, thereby creating high technical barriers to switching suppliers;

- ***Uniform sputtering performance and process stability:*** Precise control of grain size and crystallographic orientation helps maintain consistent sputtering rates and thin-film uniformity, thereby supporting stable semiconductor manufacturing processes;

- ***Large-area dissimilar-metal bonding:*** Large-area bonding or welding technology enables the reliable joining of dissimilar metals in target assemblies. Beyond securely bonding the target material to the backing plates, this technology allows different metals to be selected for their respective functional advantages, optimizing product performance, structural and thermal reliability, cost efficiency and assembly weight;

- ***High-reproducibility materials quality management:*** Stringent control over the homogeneity and batch-to-batch consistency of purity, material composition, internal structure, and dimensional tolerances enables stable product quality and repeatable production performance;

- ***Integrated target-and-ring process control:*** Coordinated target-and-ring solutions help ensure uniform sputtered thin films, protect process chambers from contamination and maintain stable deposition performance throughout the sputtering cycle; and

- ***Advanced tantalum and tungsten target manufacturing:*** Specialized process capabilities enable the production of technically demanding tantalum targets for advanced copper interconnects, while high-density processing and tight control of critical impurities support the stable performance of our tungsten targets in memory applications, with certain tungsten targets in volume supply to memory-chip manufacturers.

Ultra-high purity metal sputtering targets, including metal alloy targets, must meet stringent requirements for purity, internal structure (such as grain size and crystallographic orientation), dimensional tolerances, surface quality and batch-to-batch consistency, because their quality directly affects the key thin films, process reliability and yield of chips; for metal alloy targets, precise composition control and uniform microstructures are also critical to meeting the requirements of advanced chip manufacturing. Our ultra-high purity metal sputtering targets are designed to satisfy these stringent performance requirements. Our R&D direction has remained closely aligned with the process roadmaps of our downstream customers, enabling us to continuously enhance the technical specifications of our existing products while making early deployments in new materials and processes. This has helped us establish a generational technology lead in the global target market and earn continued recognition from leading global and Chinese wafer foundries. According to Frost & Sullivan, we ranked second in the global semiconductor ultra-high purity metal sputtering target market in 2025, which is characterized by a high level of supplier concentration.

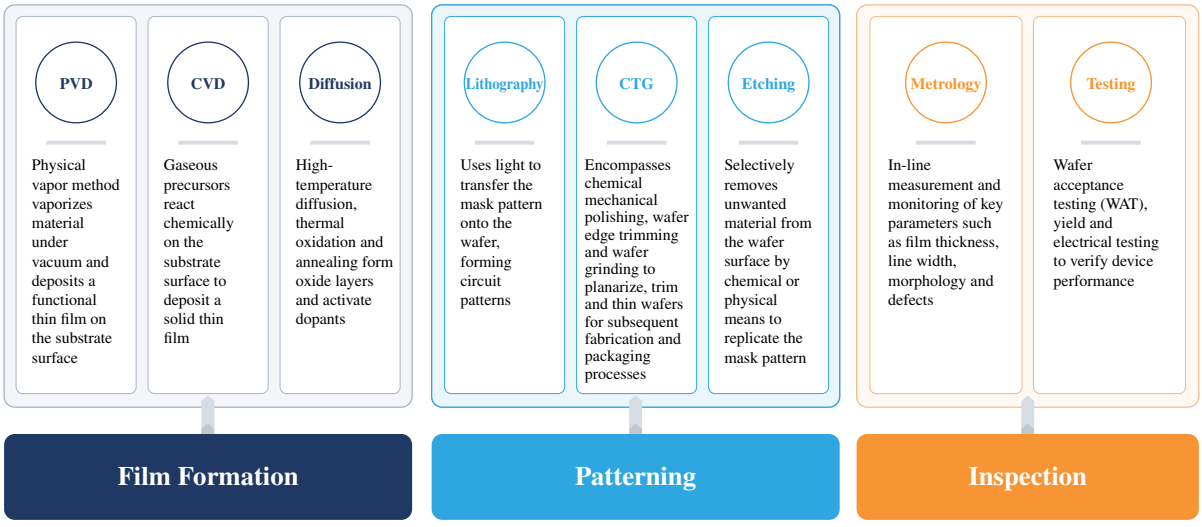
In 2026, we divested our targets business related to flat panel display applications to focus on the semiconductor sector and capture AI-driven growth opportunities.

Semiconductor Precision Components

Semiconductor precision components are used by semiconductor equipment manufacturers during equipment manufacturing and by wafer foundries and IDMs in fabrication processes. They are primarily assembled in customers' production equipment and on their production lines, directly affecting wafer manufacturing processes, yield, and the stability of equipment operation. Some of these components serve as consumables in semiconductor manufacturing and require periodic replacement to maintain

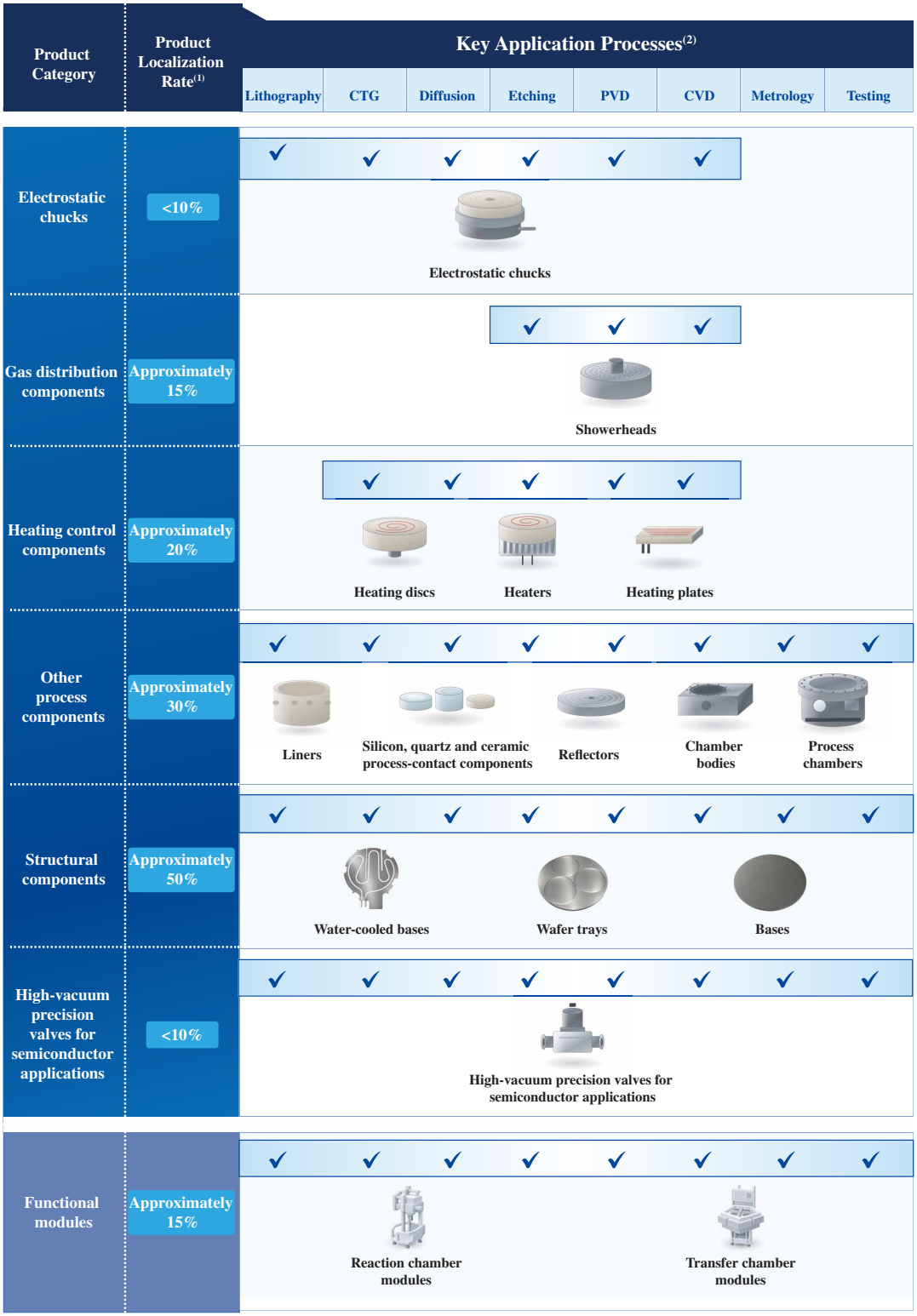
process performance, while others, such as chambers and structural components, are non-consumable parts that remain in the semiconductor equipment. The ultra-high purity metal sputtering target and semiconductor precision components businesses are deeply synergistic because the underlying technologies are highly similar and there is significant customer overlap. Leveraging our accumulated customer resources in the semiconductor industry, understanding of wafer foundry and equipment manufacturer requirements, and the three platform-based capabilities we have built in the ultra-high purity metal sputtering target business, we began offering semiconductor precision components in 2019 and have gradually developed capabilities covering the full range of material systems, processes and customer types, as well as production footprints close to customers' locations.

Semiconductor precision components encompass a wide variety of products and are mainly used in eight major processes. The materials used cover metallic component categories as well as non-metallic categories (including quartz parts, ceramic parts and silicon component products). The diagram below shows the eight major processes in which semiconductor precision components are commonly used:



Our product selection and development strategy focuses on critical component categories for semiconductor equipment that have high value, high technical barriers and an urgent need for improved localization rates. Our comprehensive portfolio primarily comprises (i) electrostatic chucks; (ii) gas distribution components; (iii) heaters; (iv) other process components (categories (i) to (iv), collectively, "process components," establish the environment for wafer fabrication and facilitate specialized processes); (v) structural components, which form the framework and underlying structure of semiconductor equipment; (vi) high-vacuum precision valves for semiconductor applications, which transmit and control specialty gases and liquids and maintain vacuum conditions within equipment; and (vii) functional modules, which assemble multiple components (including process and structural components) into complete functional units, requiring cross-component design and matching. Semiconductor equipment manufacturers have increasingly sourced functional modules from suppliers in recent years to assemble semiconductor equipment and improve manufacturing efficiency.

The following diagram illustrates our key semiconductor precision component types and their corresponding applicable processes:



Notes:

(1) Localization rate refers to the proportion of the market size of the relevant product in China attributable to domestic suppliers in 2025, according to Frost & Sullivan.

(2) A check mark indicates the processes to which a product category as a whole is applicable. The product illustrations do not correspond one-to-one with the processes.

The following table sets forth descriptions of our representative semiconductor precision components:

Product Category	Our Representative Semiconductor Precision Components	Key Functions
Electrostatic chucks[1]		Secure and flatten wafers through electrostatic attraction, while controlling wafer temperature through thermal conduction and backside helium heat transfer to support uniform and stable processing.
Gas distribution components	• Showerheads	Introduce and distribute process gases uniformly across wafer and process surfaces, stabilizing gas-flow, plasma and reaction conditions.
Heating control components	• Heating discs • Heaters • Heating plates	Provide controlled heating to wafers and chamber components, maintaining stable and uniform process temperatures to support repeatable deposition and thermal-processing conditions.
Other process components	• Reflectors • Liners • Silicon, quartz and ceramic process-contact components • Process chambers • Chamber bodies	Either directly contact wafers, participate in wafer fabrication, or shield and reflect process materials, providing essential process conditions such as corrosion isolation, temperature control, uniform gas distribution and vacuum maintenance, thereby supporting process yields and extending equipment service life.
Structural components	• Water-cooled bases • Wafer trays • Bases	Generally do not directly contact wafers or participate in wafer fabrication, and primarily connect, support, mount, position and cool process components, functional modules and other parts, providing a stable and precise mechanical foundation for the equipment as a whole.
High-vacuum precision valves for semiconductor applications[1]		Isolate and regulate process-gas and vacuum paths, maintaining precise chamber pressure, flow control, leak-tightness and cleanliness.
Functional modules	• Reaction chamber modules • Transfer chamber modules	As integral subsystems of semiconductor equipment, perform or support the performance of core equipment functions under controlled physicochemical conditions. These functions typically include providing the process environment, handling and transferring wafers, delivering and regulating process gases and fluids, and controlling temperature and energy input.

Note:

(1) Electrostatic chucks and high-vacuum precision valves for semiconductor applications serve as both a product category and a representative semiconductor precision component. There were no separate sub-items listed under these two categories.

Certain representative semiconductor precision components demonstrate a high degree of technological leadership at the fabrication process level. For example: (i) showerheads require thousands of micro-holes to be machined on a single piece while ensuring hole diameter consistency and full-surface planarity, and edge chipping or micro-cracks introduced during machining become particle sources in plasma environments; (ii) electrostatic chucks require precise integration of ceramic dielectric layers, electrodes, gas channels and temperature-control structures to ensure surface flatness, insulation reliability, uniform chucking force and multi-zone temperature control; and (iii) high-vacuum precision valves require micron-level machining and assembly to ensure vacuum sealing, clean operation and stable pressure and flow control.

According to Frost & Sullivan, the localization rate for semiconductor equipment in China was below 30% as of June 30, 2026. In particular, the localization rates for electrostatic chucks, showerheads and high-vacuum precision valves used in semiconductor applications did not exceed 10.0%, 15.0% and 10.0%, respectively. The relatively low localization rate of semiconductor equipment in China presents significant domestic substitution potential, particularly for critical components and materials. Driven by accelerating localization and the continued expansion of the global semiconductor industry, our semiconductor precision components business is expected to benefit from rising demand from wafer foundries, IDMs and semiconductor equipment manufacturers worldwide.

In addition, in July 2026, through the acquisition of control of Kaide Quartz, we expanded our portfolio of quartz components, further strengthening our presence in non-metallic component categories. For details, see "History and Corporate Structure — Major Acquisitions, Disposals and Mergers."

Other Businesses

In addition to the two principal businesses described above, our other revenue was primarily derived from the sales of spent targets, scrap materials and other materials, as well as provision of technical and cleaning services. Revenue from other businesses amounted to RMB358.9 million, RMB384.8 million, RMB670.3 million, RMB310.8 million and RMB421.5 million in 2023, 2024, 2025, the six months ended June 30, 2025 and 2026, respectively, accounting for 13.8%, 10.7%, 14.6%, 14.8% and 15.4% of total revenue in the respective period.

In the PVD process, approximately one-third of the sputtering targets is typically utilized. As a result, approximately two-thirds of the ultra-high purity metal remains in the form of a spent target or other recoverable material, which still has considerable value, particularly in the case of rare metals. Disposing of these materials as ordinary waste would result in significant resource loss. It is therefore common in the industry for a target manufacturer to collect spent targets from downstream customers and primarily sell them to upstream ultra-high purity metal suppliers for re-purification and re-manufacture into metal materials. We primarily sell spent targets to our ultra-high purity metal suppliers because they have the purification and re-processing capabilities required to recover the metal. For details, see "— Overlapping Customers and Suppliers."

We generally agree on arrangements for the recovery of spent targets with customers at the time we sell targets to them. In most cases, we obtain spent targets from customers free of charge; in limited cases, we determine the recovery price through commercial negotiation with customers. We recognize target sales and the recovery of spent targets on a gross basis because we act as principal in these transactions, bear inventory risk and determine or participate in determining the relevant prices. We have no offsetting, repurchase, circular-trading or fund-flow-back arrangements. For details of the ordinary-course and arm's-length nature of these transactions, see "— Overlapping Customers and Suppliers."

GLOBAL FOOTPRINT AND INTERNATIONAL VISION

Global Customer Relationships

Our customers span the world's major semiconductor markets, including key industry clusters in Chinese Mainland, Taiwan, South Korea, Japan, Singapore, the United States and certain European countries. As illustrated in the following map, we had sold our products to customers in over 20 countries and regions across Asia, Europe and North America, during the Track Record Period.



We have built long-standing relationships with leading wafer foundries, IDMs and semiconductor equipment manufacturers worldwide. Qualifying with such customers typically requires a multi-year evaluation process covering purity, dimensions, grain structure, process performance, manufacturing-site audits, as well as manufacturing and quality management systems. Once qualified, we generally supply products in accordance with the customer's approved specifications and processes. Our products meet the stringent requirements of leading global chipmakers, have passed their qualification procedures and can be supplied in volume on a stable basis.

Our International Network

We have built a global sales and technical service network covering major semiconductor regions. This network combines sales and service coverage with local engineering and technical teams, enabling us to respond promptly to customer requirements, support component commissioning and

troubleshooting, provide on-site technical service, conduct technical exchanges and synchronized development with customers, and support customer qualification and site audits. We support overseas sales, procurement and customer service through our subsidiaries in Japan, Singapore, South Korea, and Taiwan.

Overseas Production Base under Construction

We are constructing a sputtering target production base in South Korea. The project has a designed annual capacity of 12,300 ultra-high purity metal sputtering targets for semiconductor chips. As of the Latest Practicable Date, the main structure of the facility was still under construction.

We selected South Korea because it is a major semiconductor manufacturing hub. Localized production can support leading Korean semiconductor chip manufacturers. It can also help satisfy site-audit and localization requirements and shorten delivery lead times. Our capacity in Chinese Mainland together with the planned Korean base will enable us to serve global customers more efficiently and support our further overseas expansion.

Our business is subject to international trade policy, export control, tariff and foreign investment regulations in the relevant jurisdictions. For a discussion of the related risks, see "— U.S. Export Control and Sanctions" and "Risk Factors — Risks Relating to Doing Business in the Jurisdictions in Which We Operate — Our expansion into international markets may be adversely affected by legal, regulatory, political and economic risks."

Transfer Pricing Arrangement

During the Track Record Period, we engaged in intra-group transactions among our entities in Chinese Mainland and overseas. The Organization for Economic Co-operation and Development (the "**OECD**"), an international organization, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"), which are generally followed by the relevant tax jurisdictions involved in intra-group transactions. According to the OECD Transfer Pricing Guidelines, the intra-group transactions should be conducted on an arm's length basis to avoid distorted taxable income in different jurisdictions.

We have engaged an independent transfer pricing consultant to assist us in conducting a transfer pricing review of our intra-group transactions during the Track Record Period, taking into account the OECD Transfer Pricing Guidelines and, where applicable, relevant local transfer pricing regulations. The transfer pricing consultant assisted us in reviewing the following intra-group transactions conducted during the Track Record Period (the "**Covered Transactions**"), primarily including (i) purchase and sales of raw materials and finished goods, and (ii) transfers of fixed assets. The transactional net margin method was selected according to the nature and characteristics of the intra-group transactions, and a comparability analysis of the Group's entities involved in transfer pricing arrangements and independent comparable companies was performed. After assessing our transfer pricing arrangements during the Track Record Period, our Directors, as advised by our independent transfer pricing consultant, are of the view that our intra-group transactions and arrangements thereunder were generally consistent with the arm's length principle from the perspective of the OECD Transfer Pricing Guidelines, which are widely recognized and adopted by the applicable local transfer pricing laws and regulations of the relevant jurisdictions.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any inquiry, audit, investigation, or challenge by tax authorities in the PRC or any other jurisdictions in connection with these intra-group transactions and transfer pricing arrangements.

RESEARCH AND DEVELOPMENT

Comprehensive R&D Framework

As of June 30, 2026, we had 569 technical personnel engaged in research and development. Our core technical team includes (i) Dr. YAO Lijun, our chief technology officer, an expert in advanced materials and technological innovation with nearly three decades of experience in advanced electronic materials and semiconductor-related technologies; (ii) Dr. BIAN Yijun, our chairperson of the Board, executive Director and chief executive officer, a semiconductor manufacturing executive and technology leader with more than 20 years of industry experience spanning integrated circuit fabrication and process technology development, with expertise in process engineering and operational management; and (iii) Mr. ZHOU Youping, an expert in semiconductor materials and precision components with extensive R&D experience and more than 20 years of industry experience. The core members of our technical team also possess more than a decade of experience in the semiconductor industry. As of June 30, 2026, we had been granted 1,072 and 13 patents in Chinese Mainland and overseas, respectively, including 595 invention patents in Chinese Mainland. As of the same date, we were the registered owner of 11 registered trademarks, 18 software copyrights and three domain names in Chinese Mainland. For details, see "— Intellectual Property."

We operate analysis, testing and quality laboratories supporting purity, composition, grain structure, surface condition, dimensional accuracy, welding integrity and cleanliness. Our laboratory has obtained CNAS accreditation, and we participate in or lead the drafting of national and industry standards. We have led or participated in the formulation of 16 national standards and 27 industry standards, all of which have been published.

We have prioritized R&D and innovation since our inception. During the Track Record Period, our R&D expenses amounted to RMB171.8 million, RMB217.3 million, RMB262.1 million, RMB119.0 million and RMB159.0 million in 2023, 2024 and 2025 and for the six months ended June 30, 2025 and 2026, respectively.

Representative current R&D programs include: (i) high-purity, high-density tungsten and tungsten-alloy memory targets, for which we are developing density, purity and welding process technology with the aim of achieving volume supply to customers; and (ii) precision components for advanced semiconductor processes, targeting high-precision and high-stability metal and ceramic components. These programs are at the volume-production validation stage. Our R&D objectives also include improving target purity and process consistency, supporting advanced semiconductor nodes, expanding our range of precision components, strengthening analytical and reliability testing and shortening customer qualification and commercialization cycles.

Key Innovation

We have integrated our technological capabilities across six foundational technologies, namely advanced material microstructure and performance control, ultra-precision manufacturing and inspection, specialized welding and joining, ultra-clean surface cleaning, surface modification and engineering, and microsystem control unit technologies.

- ***Advanced material microstructure and performance control technologies***. We precisely control the composition and microstructure of our materials through strict process monitoring, testing and traceability. For sputtering targets, we control grain size, crystallographic orientation and internal structure through material preparation, forming and thermal-processing steps selected for each target material and customer specification, supporting uniform sputtering performance and process stability. For precision components, our material capabilities include, for example, ultra-high density advanced ceramics. These ceramics offer high strength and hardness, low thermal expansion, and strong resistance to wear, thermal shock and chemical corrosion.

- ***Ultra-precision manufacturing and inspection technologies***. We use machining centers, CNC lathes and other large-scale precision equipment to control tolerances and machining accuracy, adjusting parameters to the hardness, toughness and other properties of each material. For sputtering targets, this enables us to meet customer-specific requirements for dimensions, flatness and surface condition, which are critical to stable installation and sputtering performance. For precision components, it enables parts to fit tightly with other parts of the equipment, ensuring smooth operation and reliable sealing. Inspection and traceability throughout production support consistent product quality.

- ***Specialized welding and joining technologies***. We have developed a portfolio of specialized welding techniques, including multi-layer vacuum brazing, vacuum electron beam welding, laser welding, low-deformation argon arc welding, friction stir welding and vacuum diffusion welding, and select the proper method for each product design. For sputtering targets, we apply large-area dissimilar metal welding to bond target materials to backing plates, controlling weld integrity, bonding area, flatness and thermal performance. For precision components, these techniques meet the welding requirements of components with diverse structures and materials, ensuring structural reliability and sealing performance.

- ***Ultra-clean surface cleaning technologies***. Advanced chip manufacturing requires extremely high product cleanliness, and our cleaning processes remove particles and impurities without damaging products. For sputtering targets, we clean target and backing plate surfaces after machining and welding, followed by inspection and packaging under controlled conditions, to minimize contamination and support stable, low-particle sputtering. For precision components, we clean both new components before delivery and used components returned for reconditioning, achieving fewer than five particles larger than 0.2 micrometers per square centimeter. We can also remove contaminants from porous ceramics without damaging their pore structure.

- ***Surface modification and engineering technologies***. We engineer product surfaces to achieve the surface condition, corrosion resistance and service life required by customers, using techniques such as sandblasting, thermal spraying, knurling, anodizing, electrolytic polishing, PVD coating, nickel plating and yttrium oxide spraying. For sputtering targets, we

create controlled roughness on non-sputtering areas to capture redeposited material and reduce particle shedding, and polish the sputtering surface to the required finish. For precision components, we apply protective coatings to surfaces exposed to plasma and corrosive gases, such as those of showerheads, liners and chamber bodies. These dense coatings resist erosion and corrosion, extend component life and help prevent wafer contamination.

- ***Microsystem control unit technologies***. Through precision assembly, we integrate individual parts with sensing, heating, gas-control, vacuum and electronic control units, including embedded chips and supporting software, into functional components and modules such as electrostatic chucks, high-vacuum precision valves, heaters and gas delivery and distribution modules. We then commission and calibrate each assembly on test platforms that simulate actual operating conditions, verifying key indicators such as sealing, gas flow and pressure control, temperature uniformity and electrical performance. This ensures stable and repeatable operation in customers' equipment.

R&D Process

We have built a cross-functional R&D framework, supported by our project management and production systems and tailored to our multi-variety, small-batch, build-to-order production model. Under this framework, R&D, product, manufacturing, quality and sales teams work together across the full product lifecycle. This covers customer requirement analysis, sample development, customer validation, small-batch trial production, mass production approval and post-launch improvement. Our new product development process is built around the advanced product quality planning ("**APQP**") methodology. Quality planning, risk identification and process control are built into every stage, from feasibility assessment through shipment evaluation. This approach helps us reduce uncertainty and risk in the transition from R&D to mass production.

Our standardized new product development process comprises the stages described below, each of which must satisfy the applicable technical, quality and manufacturing criteria before the project proceeds.

- ***Customer requirement and project initiation.*** We receive the customer's technical and performance requirements, define the project scope and establish cross-functional responsibilities, resources, budget and milestones.

- ***Feasibility assessment.*** Upon receiving a market or customer requirement, we assess the feasibility of a new product, considering technological maturity, market prospects, customer urgency and expected return on investment.

- ***Research and review.*** Following project initiation, the relevant functional departments jointly conduct preliminary new-product planning, including patent research, initial product and process design, identification of special characteristics and raw-material research. The proposed development process is then collectively reviewed and confirmed at a product quality planning meeting.

- ***Pre-shipment evaluation.*** Once the new product has been produced, we conduct a further project review before shipment and prepare minutes of the product quality planning meeting and a shipment evaluation report. The product may proceed to customer evaluation only after passing this review, helping ensure that R&D and quality risks are effectively controlled.

SALES AND MARKETING

We sell our products through two channels: (i) sales to direct customers and (ii) sales through sales partners for certain overseas sales. During the Track Record Period, we made substantially all of our sales directly to customers. We collaborate with sales partners in certain overseas countries and regions, such as Japan, Taiwan, South Korea, and Singapore, reflecting common local business practices. In 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue generated from sales through sales partners accounted for 3.5%, 3.4%, 3.1% and 3.0% of our total revenue, respectively.

Our sales and marketing team identifies customer requirements, coordinates technical qualification, prepares quotations, follows up on orders, manages customer relationships and provides technical support.

Sales to Direct Customers

We primarily sell directly to leading wafer foundries, IDMs and semiconductor equipment manufacturers, with whom we have built long-term relationships. Our engagement typically begins with close technical collaboration, through which we work with customers to understand their process requirements and develop products tailored to their needs. Before volume supply begins, customer onboarding generally involves supplier evaluation, quotation, sample testing, small-batch trial use and stability testing. These stringent requirements reflect the critical impact of product performance and consistency on manufacturing yield and equipment stability. Once qualified, we maintain these relationships through consistent product quality, reliable delivery and ongoing technical and after-sales support, and we continue to refine our products based on customer feedback. Because switching suppliers may require renewed testing, process adjustment and customer approval, which entails significant costs for customers, qualified supply relationships tend to remain stable. Building on this foundation, we also deepen our cooperation through synchronized development for new processes and by introducing additional products from our portfolio.

Major Terms with Our Direct Sales Customers

Set forth below is a summary of the major terms in our direct sales contracts with key customers:

Term	We generally enter into purchase orders with customers on a semi-annual, monthly or transaction-by-transaction basis.
Technical specifications	Products are supplied to the customer's approved specifications and drawings following a multi-stage qualification process.
Deliverables	We deliver products to the customer's designated site under the Incoterms specified in the order, and provide mass-production support and after-sales technical assistance.

Pricing	We generally determine the price of our products through negotiations with our customers and sell our products at mutually agreed pricing terms. Any adjustments are negotiated with reference to raw-material costs, purity, order volume and technology.
Product return and warranty	We provide a warranty that our products will conform to the agreed technical specifications and performance standards, with a standard warranty term of one year. We generally do not accept product returns, except where a product fails to meet the agreed specifications due to reasons attributable to our manufacturing process. For details, see "— Warranty and After-Sales Service."
Termination	Our sales agreements may be terminated in the event of any material default.

Sales Through Sales Partners

We achieve broader customer coverage in overseas markets through collaboration with sales partners. The arrangement is a buy-out model: the sales partner is free to set its own resale price and bears the end-customer inventory risk and credit-period risk.

Such business contemplates a buyer/seller relationship rather than a principal/agent relationship. Revenue from sales through sales partners is recognized when control of the products transfers, being when our products are delivered to the sales partner and there is no unfulfilled obligation that could affect the sales partner's acceptance of the products. Taking into account that (i) we did not enter into any distribution agreement with our sales partners during the Track Record Period, and our sales partners generally purchase our sputtering targets and semiconductor precision components by way of individual sales orders; (ii) we had limited control over our sales partners or their sales, inventory level or pricing policies and marketing activities; (iii) we had no restrictions or requirements on our sales partners regarding their sales targets or minimum purchase requirements; and (iv) our sales partners were not required to provide us with any information regarding their sales, inventory levels and their customers' demand for our products during the Track Record Period and up to the Latest Practicable Date, we do not treat our sales partners as distributors.

Branding and Marketing

Our brand is built on technical capability, product quality, customer support and active participation in industry standard-setting. The ability to supply qualified products for advanced semiconductor chip processes, combined with customer-focused engineering support, strengthens customer confidence and reinforces brand recognition.

A customer-centric approach underpins our marketing and service model. Sales, R&D, technical support, manufacturing and quality teams collaborate to deliver full life-cycle services, from initial requirements discussion, product design, sample development and validation through to volume production and after-sales support. Products are continuously optimized based on customers' equipment and process requirements. We also engaged some sales agents in overseas markets. Pursuant to our agreements with our sales agents, our sales agents are mainly responsible for (i) strengthening relationships with local customers, (ii) collecting local market and customer information and providing

timely feedback to us, (iii) promoting and marketing our products, and (iv) promptly following up on issues and requests raised by customers. We generally pay our sales agents commission and service expenses calculated at a pre-agreed percentage of the relevant order value, which varies depending on the product type. According to Frost & Sullivan, it is consistent with the industry norm to have sales agents in particular regions for market expansion purposes.

We have established long-term supply relationships with leading global and domestic wafer foundries, IDMs and semiconductor equipment manufacturers. We seek to deepen these relationships by leveraging our understanding of customers' equipment and process requirements to introduce additional products from across our portfolio, creating cross-selling opportunities with existing customers. We also actively pursue the further development of our existing customer base, working closely with customers on their new fab expansions, equipment platforms and technology node migrations to secure qualification for new projects and expand our share of their procurement over time. Qualification as an approved supplier to such customers requires meeting rigorous specifications across product performance, manufacturing consistency and quality control. Our established position within these supply chains provides market validation of our capabilities and reinforces our reputation as a reliable supplier of advanced semiconductor materials and components.

Active involvement in national and industry standard-setting, together with customer feedback gathered during qualification and production, informs ongoing refinement of products, manufacturing processes and technical support. This closed-loop approach helps maintain responsiveness to advanced-process requirements and strengthens our standing as a qualified semiconductor materials supplier.

Participation in relevant domestic and international semiconductor materials and equipment exhibitions, technical forums and customer workshops provides opportunities to showcase our target and precision-component portfolio, stay abreast of customer process developments and identify prospects for product qualification and synchronized development.

Pricing

Our pricing is primarily determined through market-based negotiations, taking into account prevailing metal prices, product purity and technical grade, our technical capabilities, customer requirements, order volume, processing complexity, delivery requirements and competitive conditions. In pricing our ultra-high purity metal sputtering targets, we also take into account our overall commercial arrangements with the relevant customer, including the length of our business relationship and the cooperation model adopted. Where raw-material prices fluctuate, we seek to negotiate corresponding price adjustments with customers, subject to the relevant contract and customer negotiation cycle.

WARRANTY AND AFTER-SALES SERVICE

We are committed to providing high-quality after-sales support to our customers. Our sales agreements generally contain provisions relating to product quality, inspection, delivery, replacement and other warranty matters, which are typically negotiated with customers and may vary depending on the specific circumstances of each project. We generally provide a warranty period of one year, during which we warrant that our products will conform to the agreed technical specifications and performance

standards. Where a product fails to meet the agreed specifications for reasons attributable to our manufacturing process, we work with the customers to provide a replacement or other appropriate remedial measures.

During the Track Record Period, we did not receive any material customer complaints, experience any material product returns, or encounter any material order cancellations attributable to product quality issues.

MAJOR CUSTOMERS

During the Track Record Period, our customers mainly consisted of global and PRC wafer foundries, IDMs, semiconductor equipment manufacturers and related service providers. In 2023, 2024, 2025, and the six months ended June 30, 2026, revenue generated from sales to our five largest customers in each year/period amounted to RMB945.8 million, RMB1,345.1 million, RMB1,563.3 million, and RMB880.9 million, respectively, representing 36.4%, 37.3%, 34.0%, and 32.2% of our total revenue. In the same years and periods, revenue generated from sales to our largest customer in each year/period amounted to RMB252.4 million, RMB327.2 million, RMB431.6 million and RMB226.7 million, respectively, representing 9.7%, 9.1%, 9.4% and 8.3% of our total revenue.

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

Customer	Products Sold	Credit Term	Commencement of Business Relationship (Since)	Revenue	% of Total Revenue
				(RMB in thousands)	*(%)*
For the six months ended June 30, 2026					
Customer A[(1)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2008	226,670	8.3
Customer B[(2)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2007	225,942	8.3
Customer C[(3)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 to 60 days	2010	153,456	5.6
Customer D[(4)]	Ultra-high purity metal sputtering targets, semiconductor precision components and recycled materials	30 to 60 days	2022	139,916	5.1
Customer E[(5)]	Ultra-high purity metal sputtering targets and semiconductor precision components	90 days	2010	134,957	4.9
Total				**880,942**	**32.2**

Customer	Products Sold	Credit Term	Commencement of Business Relationship (Since)	Revenue	% of Total Revenue
				(RMB in thousands)	*(%)*
For the year ended December 31, 2025					
Customer A[(1)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2008	431,613	9.4
Customer B[(2)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2007	370,715	8.1
Customer C[(3)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 to 60 days	2010	269,848	5.9
Customer F[(6)]	Ultra-high purity metal sputtering targets and semiconductor precision components	60 days	2007	262,059	5.7
Customer E[(5)]	Ultra-high purity metal sputtering targets and semiconductor precision components	90 days	2010	229,025	5.0
Total				**1,563,260**	**34.0**
For the year ended December 31, 2024					
Customer A[(1)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2008	327,247	9.1
Customer B[(2)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2007	317,242	8.8
Customer C[(3)]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 to 60 days	2010	274,045	7.6
Customer F[(6)]	Ultra-high purity metal sputtering targets and semiconductor precision components	60 days	2007	246,609	6.8
Customer E[(5)]	Ultra-high purity metal sputtering targets and semiconductor precision components	90 days	2010	179,971	5.0
Total				**1,345,115**	**37.3**

Customer	Products Sold	Credit Term	Commencement of Business Relationship (Since)	Revenue	% of Total Revenue
				(RMB in thousands)	*(%)*
For the year ended December 31, 2023					
Customer B[2]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2007	252,363	9.7
Customer C[3]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 to 60 days	2010	233,938	9.0
Customer A[1]	Ultra-high purity metal sputtering targets and semiconductor precision components	30 days	2008	178,045	6.8
Customer F[6]	Ultra-high purity metal sputtering targets and semiconductor precision components	60 days	2007	163,463	6.3
Customer G[7]	Ultra-high purity metal sputtering targets and semiconductor precision components	60 days	2018	117,979	4.5
Total				**945,789**	**36.4**

Notes:

(1) Customer A is a wafer foundry company headquartered in Taiwan, China, and listed on the Taiwan Stock Exchange and the New York Stock Exchange.

(2) Customer B is a wafer foundry company headquartered in Shanghai, and listed on the Shanghai Stock Exchange and the Stock Exchange.

(3) Customer C is an IDM headquartered in South Korea that specializes in the manufacture and sale of memory chips and is listed on the Korea Exchange, Nasdaq and the Luxembourg Stock Exchange.

(4) Customer D is a fab service provider headquartered in Ningbo, Zhejiang Province, whose businesses include the sale, installation and maintenance of semiconductor equipment, metal recycling, and other activities related to wafer fabrication.

(5) Customer E is a semiconductor equipment manufacturer headquartered in Beijing that specializes in semiconductor processing equipment and related electronic products and is listed on the Shenzhen Stock Exchange.

(6) Customer F is a wafer foundry company headquartered in Shanghai, one of whose subsidiaries is listed on the Shanghai Stock Exchange and the Stock Exchange.

(7) Customer G is an IDM headquartered in Wuhan, Hubei Province that specializes in the design and manufacture of memory chip products.

None of our Directors, their respective associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers in each year/period during the Track Record Period.

MANUFACTURING AND PRODUCTION

In line with our development strategy, we have invested in automated, digitalized and lean manufacturing management across multiple production bases, including automated production lines for machining, dimensional inspection and surface-treatment polishing. We seek to improve cost efficiency by continuously optimizing our production processes and formulations and maintaining flexible and transparent inventory management. Our standardized workflows and technology-enabled automation support mass production and consistent product quality.

For ultra-high purity metal sputtering targets, we adopt a "local-for-global" production strategy, with our Yuyao bases serving customers worldwide and a production base under construction in South Korea, a major semiconductor hub, to serve customers in the region. Our semiconductor precision components business follows a customer-proximate strategy, with production capacity located near domestic customers.

Production Facilities

As of June 30, 2026, we had 17 domestic production bases in operation, including eight bases in Zhejiang Province, two bases in Shanghai, two bases in Guangdong Province, and one base in each of Beijing, Tianjin, Jiangsu Province, Liaoning Province and Heilongjiang Province. Our South Korea production base is under construction. Of our 17 production bases, nine are self-owned and eight are leased. Key information on our major production bases is set forth below:



Major Domestic Production Bases


Yuyao, Ningbo (Huanghu)


Yuyao, Ningbo (Chengdong)


Shanghai


Beijing


Shenyang


Hangzhou

Overseas Production Base

South Korea
(Under Construction)

Location of production bases	Site area (m^2)	Main Products	Land/Property right (self-owned or leased)
Yuyao, Ningbo (Huanghu), Zhejiang Province	114,733	Ultra-high purity metal sputtering targets and semiconductor precision components	Self-owned
Yuyao, Ningbo (Chengdong), Zhejiang Province	40,001	Ultra-high purity metal sputtering targets	Self-owned
Beijing	20,195	Semiconductor precision components	Leased (land); self-owned (buildings)

Location of production bases	Site area (m^2)	Main Products	Land/Property right (self-owned or leased)
Shanghai	67,488	Semiconductor precision components	Self-owned
Hangzhou, Zhejiang Province	36,714	Semiconductor precision components	Self-owned
Shenyang, Liaoning Province	55,246	Semiconductor precision components	Leased
South Korea (under construction). .	34,473	Ultra-high purity metal sputtering targets	Leased (land); self-owned (buildings)

Our ultra-high purity metal sputtering target production is concentrated in Yuyao and serves customers globally, while our semiconductor precision components operations are located principally in Yuyao, Shanghai, Hangzhou, Lishui, Beijing and Shenyang to match the geographic distribution of our domestic customers, with capacity split broadly evenly between northern and southern China. We plan further expansion in Shanghai and Shenzhen, dedicated production lines for products where we have established a competitive advantage, expansion of the South Korean facility and business development in overseas markets.

Our production of ultra-high purity metal sputtering targets is supported by a suite of advanced equipment, including certain large-scale, high-specification machinery such as a nearly 10,000-metric-ton hydraulic press, electron-beam welding machines, HIP equipment, extra-large-format HIP equipment and cold-isostatic pressing equipment. These items support control of target density, internal microstructure, grain size and crystallographic orientation, and dissimilar-metal bonding. We also operate machining, inspection, surface-treatment, thermal-processing and welding equipment covering the principal manufacturing stages from raw-material treatment through finished-product delivery. The majority of these core production-equipment items have a designed service life of 10 to 15 years.

For semiconductor precision components, our production facilities are equipped with machining centers, CNC lathes and other large-scale precision machining equipment, as well as equipment for precision drilling, forming and finishing, specialized welding and joining, surface treatment, coating and heat treatment, high-cleanliness cleaning, and dimensional, leak-rate, cleanliness and functional-performance inspection and testing. These integrated capabilities enable us to control product tolerances, machining accuracy, flatness, surface condition, weld integrity, sealing performance, corrosion resistance and cleanliness, and support customized, multi-variety and small-batch production.

We also develop or customize production-line equipment and maintain proprietary process parameters and SOPs. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material interruption to our production process due to machine or equipment failure.

Production Capacity

The following table sets forth the designed capacity, production volume and capacity utilization for ultra-high purity metal sputtering target products and our semiconductor precision components business during the Track Record Period. Because our products are highly customized, produced in multiple varieties and manufactured in small batches, capacity and production are presented by reference to machine-hours for the relevant bottleneck equipment rather than a single physical-unit measure.

	For the year ended December 31,									For the six months ended June 30, 2026		
	2023			2024			2025					
	Designed Capacity (hours)[1]	Production Volume (hours)	Utilization Rate[2]	Designed Capacity (hours)[1]	Production Volume (hours)	Utilization Rate[2]	Designed Capacity (hours)[1]	Production Volume (hours)	Utilization Rate[2]	Designed Capacity (hours)[1]	Production Volume (hours)	Utilization Rate[2]
Ultra-high purity metal sputtering targets[3]	335,452	295,990	88.2%	411,195	390,714	95.0%	476,860	458,397	96.1%	251,127	246,258	98.1%
Semiconductor precision components	518,040	440,685	85.1%	1,117,801	771,367	69.0%	1,811,228	1,591,246	87.9%	1,561,073	1,254,583	80.4%

Notes:

(1) The designed capacity is calculated by reference to the standard working hours of the bottleneck equipment supporting the relevant production activity. The production volume is measured by the actual working hours required for the output produced.

(2) Capacity utilization equals the actual working hours represented by production volume divided by the standard working hours represented by designed capacity.

(3) Including our aluminum, titanium, copper, tantalum, and tungsten target products.

We adopt a multi-category, customized production model, and machine-hours provide a more meaningful measure of capacity and production than a uniform unit-output measure. The utilization rates of our major target products continued to increase during the Track Record Period, from 88.2% in 2023 to 95.0% in 2024, 96.1% in 2025 and 98.1% in the six months ended June 30, 2026, primarily driven by growing semiconductor demand and higher purchase volumes from customers, particularly in connection with the rapid growth of the AI industry. Sustained reliance on high-load production may nevertheless increase equipment-maintenance and delivery risks.

Our semiconductor precision components business is characterized by multiple product types, small batches and production to order, and new products require technical development and customer validation. During the Track Record Period, the designed capacity of our semiconductor precision components increased significantly as a result of increased customer demand. Since newly installed production lines typically require a ramp-up period before reaching full production, our utilization rate fluctuated during the Track Record Period. The utilization rates of our semiconductor precision components were 85.1%, 69.0%, 87.9% and 80.4% in 2023, 2024, 2025, and the six months ended June 30, 2026, respectively.

Production Process

Our target production process follows a standardized framework comprising five key stages: (i) grain size and crystallographic orientation control; (ii) dissimilar metal material welding; (iii) precision machining; (iv) product testing; and (v) cleaning and packaging. Specific procedures vary by product

type, but the sequence is designed to control material properties, joining quality, dimensional accuracy, cleanliness and release quality. We also self-develop or customize key manufacturing equipment, and operate flexible production arrangements.

- ***Grain size and crystallographic orientation control***. We control grain size, crystallographic orientation and internal structure through material preparation, forming and thermal-processing steps appropriate to each target product.

- ***Dissimilar metal material welding***. We join target materials and backing plates or other dissimilar materials using welding processes selected for the product design and customer specifications.

- ***Precision machining***. We machine and surface-treat the welded or formed workpiece to achieve the required dimensions, flatness, surface condition and other technical parameters.

- ***Product testing***. We test purity, composition, microstructure, dimensions, welding integrity, surface condition, cleanliness and other product-specific requirements before release.

- ***Cleaning and packaging.*** We perform high-cleanliness cleaning, inspection and packaging under procedures designed to control particles, contamination and handling conditions.

Our semiconductor precision components production process generally comprises: (i) material preparation and incoming inspection; (ii) precision forming, machining and drilling; (iii) welding, brazing or other joining, where applicable; (iv) surface treatment, coating or heat treatment, where applicable; (v) cleaning and contamination control; (vi) dimensional, functional, leak-rate and cleanliness testing; and (vii) packaging and delivery. The sequence varies by product type and customer specification. Because our components business is characterized by multiple product types and small batches, production planning and quality control are managed by product family and customer order.

- ***Material preparation and machining.*** We inspect incoming metals, ceramics and resins, prepare materials to the required specifications and use CNC machining, drilling, forming and finishing processes to achieve the required dimensions, flatness and surface condition.

- ***Joining, cleaning and testing.*** Where required, we join component parts, apply surface treatment or heat treatment, perform high-cleanliness cleaning and complete inspections for dimensions, appearance, leak rate, cleanliness and functional performance before release.

We use production planning, traceability records, preventive maintenance, calibration and corrective-action procedures to support consistent output across our component production bases.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Raw Material Procurement

Our raw materials primarily include (i) high-purity metals, such as aluminum, titanium, tantalum, copper and tungsten; (ii) other metal materials, such as backing plates, stainless steel and aluminum alloys; (iii) non-metal materials, such as ceramics, silicon and quartz; and (iv) components and auxiliary parts. We procure our high-purity metals from qualified suppliers and do not conduct

purification in-house. Raw material procurement is managed with a focus on security of supply and price-volatility management. We procure most raw materials from suppliers in Chinese Mainland and, for certain materials, through suppliers in overseas jurisdictions.

Our procurement plans are derived from confirmed sales orders and production plans, taking account of existing inventory, procurement lead times, quantities in transit and required safety-stock levels. We maintain safety stock for principal raw materials and adjust procurement plans as demand and production requirements change. We maintain long-term relationships with suppliers for principal raw materials. For principal raw materials, we seek at least two suppliers and develop second and third sources in a timely manner. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant shortage of raw material supplies.

Pricing for our raw materials is determined under a negotiated pricing model by reference to market supply and demand, the complexity of materials and manufacturing processes, and technical specifications. We do not have volume-lock, price-lock or rebate arrangements with suppliers. We actively monitor price trends of our raw materials and may make strategic purchases to lock in favorable prices; where prices move adversely, we renegotiate with multiple suppliers. We progressively qualify domestic materials through small-batch trial production and validation before substituting them for existing materials. Spent-target recovery also reduces our net target-material cost. We control inventory levels through demand-based purchasing and safety-stock limits and recognize inventory write-downs in accordance with applicable accounting standards.

Supplier Management

Supplier admission begins with sourcing and confirmation of technical specifications. The procurement center initiates the evaluation, while the R&D department assesses the samples and remains responsible for assessment and follow-up until the supplier is qualified. Before mass production, we conduct a supplier audit covering quality and technology, including on-site inspection. Our internal procedures include the Procurement Management Procedure, the Supplier Evaluation Management Procedure and the Green Procurement Supplier Management Procedure. We screen suppliers for legality, quality system, RoHS test reports and capacity and service capability, using the three-quotation supplier survey and evaluation form. Before admission to the qualified supplier list, suppliers must execute a confidentiality agreement, a supplier quality assurance agreement and a conflict-minerals undertaking. Depending on the category of materials supplied and the supplier's internal grading, we require suppliers to hold recognized quality management system certification and/or to provide material analysis or test documentation supporting the composition and purity of the materials supplied. We also apply authorized economic operator (AEO)-standard trade-security screening.

We maintain an annual supplier review plan with risk assessment embedded in the admission evaluation. Suppliers are subject to monthly and annual performance scoring and on-site audits. Annual scores cover monthly appraisals, the effectiveness of the quality management system, statistical process control ("**SPC**") capability, price competitiveness and EHS performance, and are used for supplier grading, order allocation and our cooperation strategy. On-site audits are conducted against the supplier quality system assessment checklist, risk assessment and crisis-prevention and response measures, and the supply-management business-continuity questionnaire.

Major Suppliers

During the Track Record Period, our suppliers primarily consisted of providers of metal and non-metal materials, components and auxiliary parts, and related services. We had no material dispute with any supplier that, individually or in aggregate, had a material adverse effect on our business, results of operations, financial condition or growth prospects. We maintain alternative sourcing arrangements and assess supply-continuity risk on an ongoing basis.

In 2023, 2024, 2025, and the six months ended June 30, 2026, our purchases from our five largest suppliers in each year/period amounted to RMB828.2 million, RMB1,465.4 million, RMB1,688.1 million and RMB1,255.7 million, respectively, representing 48.6%, 53.7%, 56.0% and 54.9% of our total purchases in the corresponding periods. In the same periods, purchases from our largest supplier in each year/period amounted to RMB308.1 million, RMB813.3 million, RMB1,010.7 million and RMB886.3 million, respectively, representing 18.1%, 29.8%, 33.5%, and 38.8% of our total purchases in the corresponding periods.

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

Supplier	Supplies/Services Purchased	Credit Term	Commencement of Business Relationship (Since)	Purchase Amount	% of Total Purchases
				(RMB in thousands)	*(%)*
For the six months ended June 30, 2026					
Supplier A[1]	Metal materials	45 days	2019	886,296	38.8
Supplier B[2]	Metal materials	90 days	2014	107,775	4.7
Supplier C[3]	Metal materials	60 days	2019	107,426	4.7
Supplier D[4]	Components, and auxiliary materials	30 days	2025	87,609	3.8
Supplier E[5]	Metal and non-metal materials	30 days	2021	66,613	2.9
Total				**1,255,718**	**54.9**
For the year ended December 31, 2025					
Supplier A[1]	Metal materials	45 days	2019	1,010,718	33.5
Supplier F[6]	Metal materials	45 days	2014	226,285	7.5
Supplier G[7]	Components	30 days	2021	151,168	5.0
Supplier C[3]	Metal materials	60 days	2019	150,173	5.0
Supplier B[2]	Metal materials	90 days	2014	149,776	5.0
Total				**1,688,120**	**56.0**
For the year ended December 31, 2024					
Supplier A[1]	Metal materials	45 days	2019	813,258	29.8
Supplier F[6]	Metal materials	45 days	2014	309,076	11.3
Supplier C[3]	Metal materials	60 days	2019	130,990	4.8

Supplier	Supplies/Services Purchased	Credit Term	Commencement of Business Relationship (Since)	Purchase Amount	% of Total Purchases
				(RMB in thousands)	*(%)*
Supplier B[2]	Metal materials	90 days	2014	110,876	4.1
Supplier G[7]	Components	30 days	2021	101,174	3.7
Total				**1,465,374**	**53.7**
For the year ended December 31, 2023					
Supplier F[6]	Metal materials	45 days	2014	308,091	18.1
Supplier A[1]	Metal materials	45 days	2019	298,427	17.5
Supplier C[3]	Metal materials	60 days	2019	89,199	5.2
Supplier B[2]	Metal materials	90 days	2014	68,012	4.0
Supplier H[8]	Metal and non-metal materials	90 days	2006	64,500	3.8
Total				**828,229**	**48.6**

Notes:

(1) Supplier A is a company headquartered in Shanghai that specializes in the research, development, purification, production and sale of high-purity metal materials.

(2) Supplier B is a company headquartered in Ningbo, Zhejiang Province that specializes in the production and processing of ultra-high purity metal materials.

(3) Supplier C is a company headquartered in South Korea that specializes in the manufacture and sale of sputtering target materials.

(4) Supplier D is a company headquartered in South Korea that specializes in the design, manufacture and sale of semiconductor equipment components.

(5) Supplier E is a company headquartered in Shanghai that specializes in the development, production and sale of semiconductor ceramic components, ceramic targets and powder metallurgy target materials.

(6) Supplier F is a company listed on the New York Stock Exchange that specializes in the manufacture of semiconductor, industrial and aerospace applications materials.

(7) Supplier G is a company headquartered in Shenyang, Liaoning Province that specializes in the research, development, production and sale of components for semiconductor manufacturing equipment.

(8) Supplier H is a chemical company headquartered in Tokyo, Japan that specializes in the manufacture and sale of performance products and industrial materials, and is listed on the Tokyo Stock Exchange.

Supplier A, our largest supplier in 2024, 2025 and the six months ended June 30, 2026 and our second largest supplier in 2023, is ultimately controlled by Dr. YAO Lijun. Except for Supplier A, Supplier B and Supplier G, none of our Directors, their respective associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers in each year/period during the Track Record Period.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, some of our customers were also our suppliers, and vice versa. The overlap was primarily attributable to the following reasons. First, because the ultra-high purity metal remaining in spent targets can be recovered and reused, it is standard industry practice for target manufacturers to collect spent targets from downstream customers and sell them to upstream ultra-high purity metal suppliers for re-purification. Accordingly, (i) certain of our sputtering target customers sold their spent targets to us, and (ii) we in turn sold spent targets to our ultra-high purity metal suppliers.

For details, see "— Our Products — Other Businesses" above. Second, as we are able to manufacture a variety of components and provide material processing services, and require diverse raw materials and production equipment for our own operations, overlap also arises between our sales of processed ancillary materials, processing services and precision components and our procurement of raw materials and production equipment. In particular, (i) certain of our raw material suppliers also purchased processed ancillary materials and processing services from us; and (ii) certain of our customers purchased precision components from us and also supplied production equipment and raw materials to us. According to Frost & Sullivan, such overlaps are common in the semiconductor materials and components industry, and it arose in the ordinary course of our business.

In particular, three of our five largest customers in each year/period during the Track Record Period were also our suppliers, and six of our five largest suppliers in each year/period were also our customers.

Each of Supplier A, Supplier B, Supplier E, Supplier F, Supplier G, and Supplier H, which was one of our five largest suppliers during the Track Record Period, was also one of our customers during the same period. We primarily purchase metal and non-metal materials and components from these suppliers and, in turn, sell spent targets and/or other materials to them and/or provide processing services to them. Our purchases from these suppliers were RMB836.7 million, RMB1,432.7 million, RMB1,624.9 million, and RMB1,171.1 million in 2023, 2024, 2025, and the six months ended June 30, 2026, accounting for 49.3%, 52.5%, 53.9% and 51.2% of our total purchases for the same periods, respectively. Our revenue from these suppliers was RMB177.6 million, RMB69.5 million, RMB272.3 million, and RMB140.1 million in 2023, 2024, 2025, and the six months ended June 30, 2026, accounting for 6.8%, 1.9%, 5.9%, and 5.1% of our total revenue for the same periods, respectively.

Each of Customer C, Customer D and Customer E, which was one of our five largest customers during the Track Record Period, was also one of our suppliers during the same period. We sell ultra-high purity metal sputtering targets and/or semiconductor precision components to these customers, and procure spent targets and/or production equipment and/or raw materials from them. In 2023, 2024 and 2025 and the six months ended June 30, 2026, our revenue attributable to these customers amounted to RMB376.9 million, RMB620.3 million, RMB697.9 million and RMB428.3 million, representing 14.5%, 17.2%, 15.2% and 15.6% of our total revenue for the same periods, respectively. Our purchases from these customers were RMB6.9 million, RMB9.0 million, RMB12.2 million, and RMB4.9 million in 2023, 2024, 2025, and the six months ended June 30, 2026, accounting for 0.4%, 0.3%, 0.4%, and 0.2% of our total purchases for the same periods, respectively.

Each of the overlapping customer-suppliers mentioned above simultaneously acts as our downstream customer and our upstream supplier. On the one hand, its industry position and business scale generate substantial demand for our products as described above; on the other hand, its technical capabilities and industry resources enable it to supply us with the relevant products and services described above. Our sales to and purchases from such customers were conducted in the ordinary course of business and on commercial terms negotiated on an arm's length basis, with pricing determined through written statements of work or purchase orders, standardized delivery and payment terms, and market-benchmarking provisions designed to keep the transaction prices are in line with prevailing market levels.

LOGISTICS AND TRANSPORTATION

Our logistics and transportation system is designed to ensure efficient and timely delivery of our products to customers worldwide. We have established strategic partnerships with leading domestic and international logistics providers to support the delivery of our products. In addition, we are developing a transportation operations system supported by an advanced digital management system, which will enable real-time shipment tracking and monitoring, route optimization, resource scheduling and performance reporting. This technology-driven approach ensures efficient, secure, and timely product delivery while maintaining cost competitiveness and enabling continuous logistics optimization.

QUALITY CONTROL

We maintain end-to-end quality controls from product design and development through raw-material receipt, production, testing, packaging, shipment and after-sales service. We apply APQP so that quality planning, risk identification and process controls are embedded from feasibility assessment through shipment evaluation. Cross-functional R&D, product, manufacturing and quality personnel review material composition, dimensions, purity, grain structure, welding integrity, cleanliness, reliability and customer-specific performance requirements before a product proceeds to customer evaluation, small-batch trial production and volume production. We operate an accredited in-house materials analysis and testing center supporting composition, purity and microstructure verification. Our quality management system is supported by certifications including ISO 9001:2015 and IATF 16949:2016.

We source materials from our qualified supplier list and inspect incoming materials for quantity, specification, appearance and quality before release to production. We apply statistical process control ("**SPC**") and in-process monitoring of key characteristics, conduct first-article inspection and self-inspection and mutual inspection at relevant stages, maintain equipment and calibration controls, and control cleanroom environmental conditions to limit particles and contamination. Our internal procedures cover the production process, working environment, non-conforming products, customer-related processes and returns, and quality records are retained for traceability.

Before shipment, finished products undergo verification against applicable customer specifications and our release criteria, including product-specific testing of composition, purity, microstructure, dimensions, surface condition, welding integrity, cleanliness, leak rate and functional performance. We remain subject to periodic customer audits and audits by third-party certification bodies. Our marketing, quality, technical-support and production and operations centers jointly operate a closed-loop complaint and returns process covering intake, inspection of returned products, root-cause investigation, corrective action, customer response and recurrence verification, with records maintained for traceability. We promote quality through training and internal communications, and track scrap, rework and repair costs as quality indicators.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product-liability claim that had a material adverse effect on our business, results of operations or financial condition.

DATA SECURITY AND PRIVACY

In the ordinary course of business, we collect, process and store customer contact information, product and technical information, production-process information, supplier information, employee personal information and financial and operational information. We use such data for legitimate business purposes, including product development, quality assurance, production and inventory management, supply-chain coordination, financial reporting, compliance monitoring, human resources management and customer service.

We have established a data-governance and information-security framework covering data classification, access authorization, confidentiality, encryption, backup, retention, incident response and employee training. Our framework includes an information-security leadership group and internal policies for information security, database and file backup, remote operations and system-failure response. We have also obtained ISO/IEC 27001:2022 information security management system certification.

During the Track Record Period and up to the Latest Practicable Date, we had not been classified as an operator of critical information infrastructure and were not a network platform operator processing personal information of more than one million users under the Cybersecurity Review Measures. During the Track Record Period and up to the Latest Practicable Date, we complied in all material respects with the laws and regulations relating to cybersecurity and data protection in China. However, given the increasing global focus on data privacy and cybersecurity and the potential introduction of new or amended laws and regulations, our data management practices may be subject to increased regulatory scrutiny. For details, see "Risk Factors — Risks Relating to Doing Business in the Jurisdictions in Which We Operate — Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection domestically and abroad. Any losses or unauthorized access to or unauthorized releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences."

INTELLECTUAL PROPERTY

We hold a significant number of intellectual property rights related to our core technologies, and we devote significant time and resources to their development and protection. We rely on a combination of patent, trademark, copyright, domain name, trade secret and other proprietary rights protection laws as well as confidentiality procedures and contractual provisions to protect our intellectual property rights.

As of June 30, 2026, we had been granted 1,072 and 13 patents in Chinese Mainland and overseas, respectively, including 595 invention patents in Chinese Mainland. As of the same date, we were the registered owner of 11 registered trademarks, 18 software copyrights and three domain names in Chinese Mainland.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any third-party intellectual property infringement claim that had a material adverse effect on our business, financial condition or results of operations. For details, see "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights."

To safeguard and leverage our intellectual property assets, we have established a comprehensive intellectual property management framework. This framework is meticulously designed to align with applicable legal and regulatory requirements, national standards and our strategic business objectives, ensuring that all IP-related activities are systematically managed, protected and utilized to enhance our competitive advantages. Our intellectual property management framework, which has obtained relevant management system certification, incorporates proactive risk management strategies to identify and mitigate potential risks. We regularly conduct intellectual property reviews and risk assessments, monitor relevant legal and regulatory developments and update our risk-mitigation and protection measures accordingly. For instance, upon identifying potential conflicts in the design of our products, we evaluate the infringement risk and implement necessary design adjustments or pursue licensing agreements to ensure compliance and protect our market position. We also address intellectual property ownership and permitted use in procurement and cooperation agreements where appropriate, provide intellectual property education and training to our employees, and set out intellectual property ownership and trade-secret confidentiality obligations in our employment and confidentiality arrangements. In the event of disputes, our established protocols facilitate timely and effective resolution through administrative and judicial channels.

To ensure the effective implementation of our intellectual property strategies, we maintain detailed management ledgers and classified archives, updated in accordance with our archival management policies. These records encompass patent management ledgers, copyright management ledgers, and patent value assessment forms. Such meticulous documentation ensures that all intellectual property assets are accurately tracked, maintained, and readily accessible for strategic decision-making.

COMPETITION

The markets in which we operate are competitive. We compete with both overseas and domestic enterprises across our principal business segments, including ultra-high purity metal sputtering targets and semiconductor precision components. Our principal competitors include established overseas suppliers as well as domestic enterprises. We believe we compete effectively by leveraging our three platform-based capabilities, namely materials, equipment and processes. The industries in which we operate are characterized by high barriers to entry, including stringent multidisciplinary technological requirements, lengthy customer certification and qualification cycles, substantial capital investment requirements, stable raw-material supply chains, and the need to attract and retain experienced interdisciplinary talent. We believe these barriers, together with our established market position, proven track record and proprietary technology platforms, provide us with significant competitive advantages.

EMPLOYEES

The strength and talent of our workforce are important to our operations. As of June 30, 2026, we had 4,893 full-time employees, including 4,870 located in Chinese Mainland and 23 located overseas. The following table sets forth our employee numbers by function as of June 30, 2026:

Function	Number
Production, operation and administration	4,085
Technical	569
Sales	159
Finance	80
Total	**4,893**

We recruit our employees through recruitment websites, recruiters and internal referrals. In compliance with the relevant laws and regulations, we enter into standard employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We also enter into standard confidentiality and non-compete agreements with key employees and departing employees. We are committed to strictly complying with applicable laws, regulations and standards in different countries and regions related to workplace safety, providing a safe and healthy workplace for our employees and implementing an effective management system to help ensure employee safety and well-being. As required by laws and regulations in Chinese Mainland, we participate in various employee social insurance plans, including pension, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund plans.

Recognizing the importance of talent cultivation, we offer a diverse array of training and professional development opportunities to equip our employees with technical expertise. Every new employee participates in a comprehensive onboarding program with systematic training tailored to their functions and responsibilities, covering corporate culture, employee rights and responsibilities, workplace safety, data security and other operational matters, as well as specific training that improves employee knowledge and expertise in certain important areas related to our business. During daily operations, we organize technical and external training programs to continuously develop the professional skills of our employees at all levels.

We believe that we have maintained good working relationships with our employees, and have established a labor union to represent our employees in employee affairs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that had a material adverse effect on our business, financial condition or results of operations.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with commercial practices in our industries. We have purchased property all-risks insurance, cargo transportation insurance and motor vehicle insurance covering physical loss, destruction or damage to our product inventory and fixed assets. We have also purchased employee accident insurance covering workplace safety incidents and occupational hazards in our manufacturing operations. We provide social security insurance, including pension, unemployment, work-related injury, maternity and medical insurance for our employees in Chinese Mainland and statutorily required insurance for overseas employees. In line with general market practices, we do not maintain business interruption insurance or product liability insurance, which are not mandatory under applicable laws and regulations. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed. However, our insurance policies may not cover all potential risks, and there can be no assurance that we will not experience losses or claims beyond the scope or limits of such coverage. See "Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover all potential losses arising from our manufacturing operations."

PROPERTIES

Owned Properties

As of June 30, 2026, we had obtained 23 land use right certificates for properties with an aggregate site area of 648,554 sq.m. and an aggregate GFA of 508,868 sq.m. These properties are primarily used for production and operations in Chinese Mainland. We also own a property in South Korea as our production base overseas. As of June 30, 2026, our South Korea production base was under construction. The properties we owned are primarily used for production, warehouse or office purposes.

Leased Properties

As of the Latest Practicable Date, we and our major domestic subsidiaries operated our business through 10 leased properties with a total gross floor area of 52,192 sq.m. in Chinese Mainland. Such properties primarily serve as our office and production premises and R&D centers. As of the same date, we also leased eight properties overseas with a total GFA of 551 sq.m., which primarily serve as premises for technical support and customer services for our overseas customers.

Our lease agreements in respect of the abovementioned leased properties generally have expiration dates ranging from one to three years. We plan to renew our leases or negotiate new terms when the existing leases expire. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is sufficient supply of properties in China and overseas.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered and filed with the PRC real estate administration authorities. As of the Latest Practicable Date, five of our lease agreements in China had not been registered and filed. Our PRC Legal Advisor is of the view that the non-registration of our lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations, and we may be subject to an aggregate fine of up to RMB50,000. We may be subject to the risks of fines if lease registration and filing are not completed as required by the relevant local housing administrative authorities. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of the lease agreements. For details, see "Risk Factors — Risks Relating to Doing Business in the Jurisdictions in Which We Operate — Our leased properties may be subject to non-compliances or challenges that could expose us to penalties and incremental costs."

As of June 30, 2026, none of the properties leased or owned by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

LICENSES, APPROVALS AND PERMITS

We are subject to regular inspections, examinations and audits by local regulators and are required to maintain or renew the necessary permits, licenses and certificates for our business. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations and such licenses, permits and certifications all remain in full effect. For more details regarding the laws and regulations to which we are subject, see "Regulatory Overview" in this document.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the required licenses, permits, approvals, and certificates for our business operations. We do not expect there to be any material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in the future as long as we are in compliance with applicable laws, regulations, and rules.

The following table sets forth the details of the material licenses, permits and approvals of our Group as of the Latest Practicable Date:

License/Permit/Certificate	Holder	Grant Date	Expiration Date
Laboratory Accreditation Certificate	Our Company	August 12, 2021	August 11, 2027
Radiation Safety License	Our Company	March 2, 2022	March 1, 2027
Hazardous Chemicals Operation License	Ningbo Semiconductor	August 6, 2025	May 22, 2028
Customs Registration or Filing of Consignees and Consignors of Import and Export Goods	Our Company, Ningbo Semiconductor, Guangdong Konfoong, Beijing Konfoong, Wuhan Konfoong, Shanghai Ruisheng, Konfoong X-Creative, Shanghai Konfoong, Ningbo Jingpan Electronic, and Kaide Quartz	N/A	N/A

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material legal or administrative proceedings that could significantly impact our operations, financial position, growth prospects or reputation. Like other companies in our industry, we may from time to time be involved in routine claims or proceedings arising in the ordinary course of business. For details, see "Risk Factors — Risks Relating to Doing Business in the Jurisdictions in Which We Operate — We, our Directors, senior management, employees and shareholders and their affiliates, may be subject to lawsuits, disputes, regulatory proceedings or negative publicity that could adversely affect our business and reputation."

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations governing our operations in all material respects. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that 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 or results of operations.

U.S. EXPORT CONTROL AND SANCTIONS

The U.S. Export Control

As advised by our International Sanctions Legal Advisor, our products are not subject to the EAR since, during the Track Record Period, (i) our products are produced or manufactured outside the U.S., i.e., not the U.S.-origin items; (ii) except certain products are exported to the U.S., which are not re-exported to any third countries, our products are not in the U.S.; (iii) no "controlled U.S.-origin content" was incorporated in or bundled with our products, and the *De Minimis* Rules are inapplicable to our products; (iv) there is no applicable Foreign Direct Product Rules ("**FDP Rules**") trigger in comprehensive consideration of the end-users, end-use, final destinations, and the properties of our products. During the Track Record Period, certain of our customers were included on the Entity List, since our products are not subject to the EAR as mentioned in the above analysis, our International Sanctions Legal Advisor assessed that such transactions with the customers listed on the Entity List did not violate the EAR.

International Sanctions

During the Track Record Period, none of our business operations were conducted in, and none of our sales, directly or indirectly, were made to any Sanctioned Countries. During the Track Record Period, three of our customers and three of our suppliers were designated on the Specially Designated Nationals and Blocked Persons ("**SDN**") List, among which two suppliers have a parent-subsidiary relationship, and the subsidiary was deemed a blocked entity pursuant to the 50% Percent Rule of the OFAC. In the case of customers listed on the SDN List ("**SDN List Customers**"), we sold sputtering targets and semiconductor components to the three SDN List Customers. Such transactions did not involve any U.S. nexus (i.e., U.S. person, U.S. dollar settlement, U.S.-origin items, or transit in the U.S.), and amounted to approximately RMB2.73 million following the designation of SDN List, representing a relatively small proportion of the total revenue of our Group. Regarding the three suppliers listed on the SDN List ("**SDN List Suppliers**"), we entered into procurement agreements with them and made advance payments of approximately RMB5.65 million with no U.S. nexus. All such agreements have been subsequently terminated.

We have undertaken to cease all current and future dealings with the SDN List Customers and SDN List Supplier since November 2026. Furthermore, we have actively developed trade compliance internal control measures, including strict counterparty screening, supply chain due diligence performance, and internal reviews for transactions with elevated sensitivity, and we are committed to strictly and effectively implementing such measures and policies in our daily operations. Based on the aforesaid, subject to the strict and full implementation of and ongoing compliance with the internal control measures described above, we are advised by our International Sanctions Legal Advisor that we have not conducted any Primary Sanctioned Activity, and the risk of secondary sanctions arising therefrom is relatively low under the Sanction Guidance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

We have deeply integrated ESG principles into every aspect of our business operations and are steadily advancing the implementation of sustainable development. We have established a framework for social responsibility and sustainable development, systematically advancing occupational health and safety, environmental protection, and social welfare initiatives. Based on a thorough assessment of ESG risks, we will continue to refine our risk identification and management mechanisms to ensure that our corporate development strategy aligns closely with the recommended requirements of Appendix C2 "Environmental, Social, and Governance Reporting Guide" under the Listing Rules.

Our Board is the leading and decision-making body for ESG matters. The Strategy and Sustainability Committee of our Board is the body responsible for studying and providing guidance on ESG matters, and it reports to and is accountable to our Board. Our functional departments and subsidiaries are the units responsible for implementing ESG work. We are committed to implementing internal policies that promote energy conservation and environmental protection in our daily operations, thereby reducing our overall environmental impact.

Environment

We regard environmental compliance as a foundation of our sustainable development and have incorporated climate-related factors into our strategic planning and operational management, supported by internal allocation of responsibilities and tracking mechanisms. We comply with applicable laws and regulations, and monitor developments in industry standards and local policies. We have adopted and implemented internal policies and procedures including our Environmental Management Manual, our EHS System Procedures, our Environmental Risk and Opportunity Management Control Procedures, our Contingency Plan for Environmental Emergencies and our Environmental Compliance Evaluation, which set out our environmental management processes, the responsibilities of each position and the applicable operating standards. In 2025, we obtained ISO 14001:2015 environmental management system certification covering the design and manufacture of sputtering targets and related components, the manufacture of dedicated components and hardware fittings for semiconductor equipment, and the design, development and manufacture of integrated circuit components. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major environmental incident and were not subject to any administrative penalty in respect of environmental matters.

Waste Gas Management

The air pollutants generated by our operations mainly comprise particulate matter, nitrogen oxides, sulfur oxides, volatile organic compounds and acid mist, which arise principally from our target manufacturing process and our day-to-day office operations. We require our on-site motor vehicles to hold valid exhaust emission compliance certificates, and we carry out regular maintenance and servicing of our production, refrigeration and laboratory exhaust equipment. In 2025, our compliance rate for waste gas, wastewater and noise emissions was 100%.

Noise Control

We carry out regular inspection and maintenance of equipment that generates noise, and install sound insulation curtains or designate separate zones for areas with higher noise levels in order to limit the spread of noise.

Waste Management

Our hazardous waste mainly comprises waste offcuts, spent cutting fluid, spent cleaning agents, cleaning tank residues, waste chemical packaging and waste oil, which are collected and sorted before being disposed of by qualified hazardous waste disposal contractors. Our general industrial solid waste mainly comprises waste packaging cardboard and waste packaging plastic film, which are sold to materials recycling companies for recycling and disposal, while our domestic waste is removed and disposed of by the local sanitation authorities. In 2025, our compliance rate for waste disposal was 100%.

Energy Management

The types of energy we consume in our production and operations comprise kerosene, fuel oil, liquefied petroleum gas, liquefied natural gas, natural gas, gasoline, diesel, electricity and steam. We have adopted and implemented our energy management system, our management system for the use of electricity, water and gas, our energy and resource conservation control procedures and our 2025 implementation rules for energy management, which set out the requirements for energy use, statistical reporting and performance assessment and together form a framework covering the entire process of our energy consumption.

In terms of equipment upgrading, during the Track Record Period, we retrofitted the pipework of our air-cooled modular chillers, added water storage devices to our chilled water system, installed smart charging sockets for electric vehicles, replaced our lighting system with LED fixtures and installed time-controlled switches in corridors and ancillary areas. We also installed frequency converters which automatically adjust operating frequency by reference to target water pressure, and replaced an air compressor. In addition, we have developed a plant room meeting first-grade energy efficiency standards using a first-grade energy efficiency air compressor fitted with a waste heat recovery device, sealed leakage points in our pipe network and kept the leakage rate within 5%, optimized pipe diameter design and air receiver configuration, installed a smart monitoring system with time-of-use control, and phased out older, high gas consumption equipment.

In terms of process improvement, we increased the loading capacity of our annealing furnaces from seven pieces to 12 pieces, and sinter molybdenum plates in otherwise vacant positions in our sintering furnaces to improve equipment utilization, and, for our rolling process, changed the feeding and discharging arrangement from a single-step to a segmented basis, increasing the volume processed per furnace run from two pieces to four pieces.

We also seek to improve our energy mix by purchasing green electricity. We also conduct greenhouse gas inventories on a regular basis and, in 2025, completed product carbon footprint verification for our 300mm tantalum targets and 300mm titanium targets in accordance with ISO 14067:2018, as part of the development of a product-level carbon emissions database.

Water Resource Management

Our water for production and operations is sourced principally from municipal supply and is used in pure water preparation and rinsing, spraying, water testing and domestic applications. We do not have any difficulty in obtaining water and our water use does not have any material impact on the surrounding environment. We display water conservation signage, fit water-saving devices to taps and carry out regular inspection and maintenance of water-using facilities to reduce leakage and wastage.

Our organic, alkaline, acidic, fluorine and phosphorus-bearing, general cleaning, pure water rinsing and spray wastewater is collected centrally and, after treatment through our wastewater treatment system and evaporation and reuse units, is entirely recycled without external discharge, and our ultra-pure water is further purified using polishing resin and precision filters before being reused in our ultra-pure water production lines.

Raw Material Management

We promote the recycling and closed-loop management of resources across our supply chain and production process. We reuse the aluminum alloy cases used to transport our targets and the wooden cases and pallets used to transport target blanks, recycle and reprocess products returned by customers for redelivery, reuse spent acid generated in production in our wastewater treatment process, and engage qualified third parties and suppliers to recycle cartons, wooden cases and chemical drums.

Environmental Indicators and Targets

The table below lists our operation-related environmental key performance data during the Track Record Period:

	Unit	For the year ended December 31, 2023	2024	2025	For the six months ended June 30, 2026
Emissions					
GHG Emission					
Direct Emissions (Scope 1)	*Ton CO_2e*	536	1,132	2,066	1,074
Indirect Emissions (Scope 2)	*Ton CO_2e*	27,322	33,327	60,599	37,427
GHG Emission Intensity	*Ton CO_2e/million RMB Revenue*	10.7	9.6	13.6	14.1
Consumption					
Electricity	*MWh*	46,657	61,783	100,388	62,744
Electricity Intensity	*MWh/million RMB Revenue*	17.9	17.1	21.8	22.9
Water	*tons*	86,178	185,078	311,379	127,248
Water Intensity	*tons/million RMB Revenue*	33.1	51.3	67.6	46.5
Waste					
Hazardous Waste	*tons*	217	320	1,149	897
Hazardous Waste Intensity	*tons/million RMB Revenue*	0.08	0.09	0.25	0.33
Non-hazardous Waste	*tons*	–	105	950	609
Non-hazardous Waste Intensity	*tons/million RMB Revenue*	–	0.03	0.21	0.22
Volume of Waste Recycled	*tons*	770	993	834	1,287

From 2023 to 2025, GHG emissions and purchased electricity consumption increased as production bases were commissioned and expanded, increasing the operating requirements of production and supporting facilities. In the six months ended June 30, 2026, energy use and emissions also reflected a greater volume of new-product and component development, sample production, testing and customer validation work, which consumed energy and generated emissions and waste but was largely provided to customers free of charge. As our operations expanded, further direct energy types were included in the reporting boundary.

Water consumption increased as production bases were commissioned and expanded and the operating requirements of production and supporting facilities grew. In the six months ended June 30, 2026, certain bases changed the wastewater measurement basis from influent volume at the treatment station to actual volume discharged to the municipal network. This basis more accurately reflects discharge and correspondingly affects reported water consumption and related water-intensity data.

Waste volumes increased with the phased commissioning and expansion of production bases and the growth in machining, cleaning and packaging activity; non-hazardous waste was separately classified from 2024, and capacity additions for the semiconductor precision components business also contributed.

Recycled waste comprises raw-material offcuts, returnable hollow boxes and other packaging materials and metal scrap. Recycled volumes increased as we used more recyclable materials and generated more recoverable materials. Resource consumption and waste volumes will continue to fluctuate as production and new bases develop, and we will continue to monitor environmental indicators and refine our conservation and recycling measures.

To reduce our environmental footprint, we continuously refine our internal policies and procedures for energy and water management, strengthening on-site control and process monitoring to achieve gradual reductions in resource intensity. We implement dedicated projects for energy conservation, emission reduction and water efficiency improvement, providing the management and technical foundation for our environmental goals. We benchmark against comparable industry peers and analyze our historical data and improvement potential, and are currently evaluating our reduction targets.

Social Metrics and Management

We uphold lawful and compliant employment practices and prioritize employee rights, occupational health and safety, talent development, responsible supply chain management, product responsibility and community welfare. We continue to align corporate development with employee growth, customer trust, supply chain collaboration and the creation of social value.

Employment

We comply with applicable laws and regulations, and manage employment in accordance with our Employee Handbook and a series of internal policies. We recruit on the basis of merit through an open selection process, giving priority to internal candidates and appointing the best-qualified individuals. Our recruitment process follows sequential steps of position requirement analysis, channel selection, résumé screening, interview assessment and hiring decision. As of June 30, 2026, we had 4,893 employees, comprising 3,801 male employees and 1,092 female employees.

Occupational Health and Safety

We carry out hazard identification and risk assessment on the workplaces, equipment and facilities, tools and process methods used in our production activities, revise our hazard assessment schedule from time to time and adopt corresponding control measures. Our weekly hazard inspections are combined with our 5S (a workplace organization methodology) management work, and all issues identified must be rectified on a closed-loop basis. The principal occupational hazards in our operations are noise and high temperature. For noise, we install sound insulation barriers, sound-absorbing materials and sound-insulated control rooms and limit employees' exposure time; for high temperature,

we apply heat insulation to heat sources, strengthen ventilation and heat dissipation, provide air-conditioned rest rooms, and supply cooling drinks and heat-relief medicines. We engage qualified third-party institutions to test occupational hazard factors on a regular basis and provide occupational health examinations covering the pre-employment, in-employment and post-employment stages. Employees found to have medical conditions that are incompatible with a particular position are not permitted to work in that position and will be transferred to other roles. Under our employee benefits arrangements, we also organize a general health examination for employees once every two years.

Sustainable Supply Chain

Our sustainable supply-chain requirements are implemented through the Green Procurement Supplier Management Procedure, with participation by the EHS committee in supplier evaluation. We assess suppliers' environmental, health and safety performance as a scored dimension in annual supplier appraisal and as a component of on-site audits. We also require relevant suppliers to provide RoHS test reports and demonstrate compliance with hazardous-substance requirements, and we require conflict-minerals undertakings. For details, see "— Procurement and Supply Chain Management — Raw Material Procurement," "— Procurement and Supply Chain Management — Supplier Management" and "— Quality Control."

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented comprehensive risk management policies, covering risks that may arise in R&D, procurement, production and sales, among other areas. We are also dedicated to overseeing and assessing the effectiveness of our risk management and internal control systems to ensure that these systems remain appropriate and operate effectively as our business develops, and that any deficiencies are remediated in a timely manner.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the **[REDACTED]**, we have adopted, and will continue to adopt, the following risk management measures: (i) our Board is responsible for monitoring our internal control system, assessing its effectiveness and maintaining appropriate and effective risk tolerance levels; (ii) our audit department assists our management in formulating risk management policies and reviewing major risk management matters, provides guidance to relevant departments on risk management measures, and oversees the implementation of our risk management policies; (iii) our finance department, legal and compliance department, human resources department and other relevant departments are responsible for implementing our risk management policies and carrying out day-to-day risk management activities; and (iv) where necessary, we engage external professional advisers to work with our internal audit and legal teams in conducting regular reviews to ensure that all of our registrations, licenses, permits, filings and approvals remain valid.

We engaged an independent internal control consultant to assess our internal controls system, and recommend enhanced internal control measures. We have since revised our internal control policies, and enhanced our internal control system to comply with the Listing Rules. Having considered the internal control measures we have adopted, our independent internal control consultant has noted that these enhanced measures in place and has no further recommendations regarding our internal control system, having regard to the obligations of our Company and our Directors under the Listing Rules and other applicable legal and regulatory requirements.

AWARDS AND RECOGNITIONS

Our leading market position and brand recognition are reflected in the numerous awards we have received. Certain significant awards and recognitions we have received are set forth below.

Year Granted	Award/Recognition	Awarding Institution/Authority
2021	Second Prize of the National Technological Invention Award (for "Ultra-high Purity Al/Ti/Cu/Ta Sputtering Target Preparation Technology and Application")	State Council of the PRC
2019, 2022	Single Champion Demonstration Enterprise for Semiconductor Sputtering Targets	Ministry of Industry and Information Technology (MIIT) of the PRC
2023	Third prize, Zhejiang Provincial Patent (Intellectual Property) Award	People's Government of Zhejiang Province
2023	First prize, 2022 Ningbo Science and Technology Progress Award, for the ultra-high purity aluminum and copper sputtering target project for flat panel display	People's Government of Ningbo Municipality
2024	MIIT 2024 quality improvement and brand building typical case — "double confirmation, five verification" quality control model	Ministry of Industry and Information Technology
2024	2023 China New Display Industry Chain Innovation Breakthrough Award	China Optics and Optoelectronics Manufacturers Association
2024	Top 50 in the 5th (2023) China Electronic Materials Industry Ranking	China Electronic Materials Industry Association
2024	High-Quality Development Leading Enterprise, 7th World Zhejiang Entrepreneurs Convention	Organizing Committee of the World Zhejiang Entrepreneurs Convention
2024	9th Zhejiang Provincial Government Quality Management Innovation Award	People's Government of Zhejiang Province
2025	Excellent Support Service Enterprise under the China Chip Support Service Award, first batch of selected enterprises	China Center for Information Industry Development
2025	Ranked 1st, 2025 Ningbo Top 100 Competitive Enterprises	Ningbo Enterprise Confederation / Ningbo Entrepreneurs Association
2025	Top 100 Growth Companies, 19th China Listed Company Value Awards	Securities Times
2026	Zhejiang Premium Product — Ultra-high Purity Copper and Copper Alloy Sputtering Targets	Zhejiang Provincial Administration for Market Regulation

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was RMB275,971,083, comprising 275,971,083 A Shares (including 1,020,200 A Shares held by our Company as treasury shares) with a nominal value of RMB1.00 each, all of which are listed on the ChiNext Market of the Shenzhen Stock Exchange.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the **[REDACTED]**, assuming (i) the **[REDACTED]** is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	% of total issued Shares
A Shares	275,971,083[(1)]	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Immediately following the completion of the **[REDACTED]**, assuming (i) the **[REDACTED]** is fully exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	% of total issued Shares
A Shares	275,971,083[(1)]	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Note:

(1) Including 1,020,200 A Shares held by our Company as treasury shares as of the Latest Practicable Date.

OUR SHARES

Our H Shares in issue upon completion of the **[REDACTED]**, and our A Shares, are ordinary Shares in our share capital and are considered as same class of Shares. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between Chinese Mainland and Hong Kong. Our A Shares can be subscribed for and traded by investors in Chinese Mainland, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-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 **[REDACTED]** in Chinese Mainland in accordance with the rules and limits of Shenzhen-Hong Kong Stock Connect.

SHARE CAPITAL

RANKING

Our H Shares and our A Shares will rank pari passu with each other in all 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 or other forms. **[REDACTED]** of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE STOCK EXCHANGE

A Shares and H Shares are generally neither interchangeable nor fungible, and their **[REDACTED]** may be different. As of the Latest Practicable Date, the relevant PRC regulatory authorities had not issued rules or regulations permitting holders to convert A Shares into H Shares for **[REDACTED]** and **[REDACTED]** on the Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

The A Shareholders approved the **[REDACTED]** and **[REDACTED]** of H Shares at the general meeting held on October 30, 2026. The principal terms are: (i) the initial H Shares **[REDACTED]** will not exceed **[REDACTED]**% of our enlarged total issued share capital after the **[REDACTED]**; (ii) the H Shares will be **[REDACTED]** through the **[REDACTED]** and the **[REDACTED]**; (iii) the H Shares may be **[REDACTED]** to professional, institutional, individual and **[REDACTED]** **[REDACTED]**; (iv) the **[REDACTED]** will be determined through **[REDACTED]**, taking into account market conditions, **[REDACTED]** demand, issuance risks, the interests of existing Shareholders and valuations of comparable companies in the PRC and overseas; and (v) the authorization is valid for 24 months from the date of approval, and if we obtain the requisite regulatory approvals or filings within such period, it will be automatically extended until the completion of the **[REDACTED]** (including the **[REDACTED]** and **[REDACTED]** of H Shares pursuant to any exercise of the **[REDACTED]**).

GENERAL MANDATE TO ISSUE H SHARES

Subject to the **[REDACTED]** becoming unconditional, the Board has been granted a general mandate to allot and issue H Shares (including any sale or transfer of treasury shares of our Company originally issued as H Shares). For details, see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Shareholders."

SHAREHOLDERS' GENERAL MEETINGS

For details of the circumstances under which our Shareholders' general meetings are required, see "Appendix III — Summary of Articles of Association — Shareholders and the General Meeting."

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OVERVIEW

Pursuant to a voting arrangement agreed among Dr. YAO Lijun, our chief technology officer, Jiangge Enterprise and Hongde Enterprise (the "**Voting Arrangement**"), Dr. YAO Lijun has the ultimate right to direct the exercise of the voting rights attached to the Shares held by Jiangge Enterprise and Hongde Enterprise in our Company, while neither entity has any corresponding right in respect of the Shares held by Dr. YAO Lijun. Accordingly, immediately before the **[REDACTED]**, Dr. YAO Lijun controls Shares carrying an aggregate of 23.71% voting rights in our Company, comprising (i) 20.65% held by him, (ii) 1.53% held by Jiangge Enterprise and (iii) 1.53% held by Hongde Enterprise.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the **[REDACTED]**), Dr. YAO Lijun, Jiangge Enterprise and Hongde Enterprise will collectively hold Shares carrying approximately **[REDACTED]**% of the voting rights in our Company, all of which will continue to be exercisable under the direction of Dr. YAO Lijun pursuant to the Voting Arrangement. As such, Dr. YAO Lijun, Jiangge Enterprise and Hongde Enterprise are, and will continue to be our Single Largest Group of Shareholders upon **[REDACTED]**.

Jiangge Enterprise and Hongde Enterprise are included in our Single Largest Group of Shareholders as they directly hold the relevant Shares and are parties to the Voting Arrangement. By contrast, their respective ultimate beneficial owners are not included merely by virtue of their economic interests in these entities. Under the constitutional documents of Jiangge Enterprise and Hongde Enterprise and the Voting Arrangement, such ultimate beneficial owners are not entitled to (i) direct or control the exercise of the voting rights attaching to the relevant Shares, (ii) amend or terminate the Voting Arrangement or (iii) cause either entity to exercise such voting rights otherwise than in accordance with Dr. YAO Lijun's directions.

INDEPENDENCE OF OUR BUSINESS

We believe that we are capable of carrying on our business independently from the Single Largest Group of Shareholders and/or their respective close associates upon **[REDACTED]** for the following principal reasons:

Management Independence

Our Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. We believe that our Board and senior management team are capable of performing their managerial roles and managing our business independently from our Single Largest Group of Shareholders, based on the following:

(a) Dr. YAO Lijun, a member of our Single Largest Group of Shareholders, does not hold directorship on our Board and does not participate in Board-level decision-making. Save for Mr. YAO Shun (the son of Dr. YAO Lijun), who serves as one of our four executive Directors, none of our other eight Directors has any family, financial, or other business relationship with Dr. YAO Lijun. Furthermore, our independent non-executive Directors comprise one-third of our Board, possessing the requisite expertise to provide independent judgment. In the event of any conflict of interest arising from transactions involving our Single Largest Group of Shareholders or their associates, interested Directors are required

under the Articles of Association and the Listing Rules to declare such interest and abstain from voting, and the remaining non-conflicted Directors will form a quorum to make decisions in the best interests of our Group;

(b) Dr. YAO Lijun, as our chief technology officer, contributes his technical expertise to our management decisions. Our daily management and business operations, however, are conducted under a collective decision-making mechanism. Material operational decisions are deliberated and made collectively by our Board and our senior management team, led by our chief executive officer. Our other senior management members have relevant industry experience and separate reporting lines, and each of them takes charge of his or her respective functions. No single individual, including Dr. YAO Lijun, is in a position to unilaterally determine our business decisions;

(c) while Mr. YAO Shun holds directorships in certain close associates of Dr. YAO Lijun, (i) the principal business of each such entity is different from, and does not compete with, our Group's core business; (ii) his roles therein are supervisory in nature, and he is able to devote sufficient working time and attention to our Group; and (iii) he is subject to the conflict-of-interest and abstention requirements described in paragraph (a) above;

(d) with respect to the limited partnership interests held by certain of our Directors and senior management members in Jiangge Enterprise or Hongde Enterprise, such interests are economic interests held under employee incentive arrangements. Under their constitutional documents and the Voting Arrangement, these individuals are not entitled to direct, exercise, or influence the voting rights attached to the Shares held by such entities. We therefore do not consider that such interests affect their ability to perform their managerial roles independently; and

(e) as an issuer whose A Shares have been listed on the Shenzhen Stock Exchange since 2017, we are subject to, and have operated in compliance with, the applicable corporate governance and management independence requirements of the CSRC and the Shenzhen Stock Exchange. We believe that our corporate governance framework, internal controls and board committee review procedures support our management independence.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Single Largest Group of Shareholders.

Operational Independence

Our Group is not operationally dependent on our Single Largest Group of Shareholders. We hold all material licenses, permits and intellectual property rights necessary to conduct our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Single Largest Group of Shareholders. We also maintain independent access to our customers and suppliers, as well as an independent management team to manage our daily operations.

During the Track Record Period, our Group entered into certain procurement, sales and ancillary transactions primarily with the TCPR Group and, to a lesser extent, certain other associates of Dr. YAO Lijun. For details of the nature, commercial rationale, pricing policies, historical amounts and proposed annual caps of these transactions, see "Connected Transactions." Our Directors are of the view that

such transactions do not, individually or in the aggregate, compromise our operational independence or result in any undue operational reliance on the TCPR Group (or other associates of Dr. YAO Lijun), having considered the following:

(a) our Group focuses on the research, precision fabrication and commercialization of ultra-high purity sputtering targets and semiconductor precision components, whereas the TCPR Group focuses on upstream metal purification and smelting. Consistent with the industry division of labor, our transactions with the TCPR Group reflect an ordinary upstream-downstream supply relationship. We independently own all material operating licenses, production facilities, core patents and proprietary technologies necessary for our business, and we do not rely on the TCPR Group for our core intellectual property or manufacturing infrastructure;

(b) our Group deals directly with wafer foundries, IDMs and semiconductor equipment manufacturers in the Chinese Mainland and overseas, and holds all relevant customer certifications and qualifications in our own name. The TCPR Group does not control or participate in our customer relationships or sales channels, and does not act as an intermediary or sales agent between our Group and our customers;

(c) the PRC sputtering target industry has historically relied heavily on imported ultra-high purity metal materials, and procuring from the TCPR Group's domestic production capacity shortens our lead times and reduces cross-border logistics costs. Our purchases from the TCPR Group represented 17.5%, 29.8%, 33.5% and 38.8% of our total purchases in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Notwithstanding the above, we do not consider that we are unduly reliant on the TCPR Group, as (i) we maintain alternative suppliers for each principal raw material, including qualified Independent Third Party suppliers in Chinese Mainland and overseas; and (ii) our purchases from the TCPR Group are made on an individual order basis, without exclusivity or minimum purchase commitments. Although switching suppliers for a particular material grade would require qualification process, we believe we could increase purchases from our existing qualified Independent Third Party suppliers if required;

(d) our sales of Spent Targets and recyclable materials to the TCPR Group follow industry recycling practice, and such materials can also be sold to Independent Third Party purchasers. Transactions with other associates of Dr. YAO Lijun represent a relatively small proportion of our overall procurement and sales, and comparable products, services and utilities are readily available from Independent Third Parties. All such transactions are conducted on normal commercial terms and on an arm's length basis; and

(e) our corporate governance framework requires interested Directors to abstain from voting on the relevant connected transactions.

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Group of Shareholders.

Financial Independence

We have independent internal control and accounting systems, as well as an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Single Largest Group of Shareholders.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Single Largest Group of Shareholders or their respective close associates.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Single Largest Group of Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company and our Directors recognize the importance of protecting the rights and interests of all Shareholders. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Single Largest Group of Shareholders:

(a) under the Articles of Association, where our Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to vote only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;

(b) our Company has established internal control mechanisms in relation to connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will, as circumstances require, review any actual or potential conflicts of interest between our Group and our Single Largest Group of Shareholders, and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Single Largest Group of Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(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 expense;

(f) we have appointed the Compliance Advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(g) we have established the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and Sustainability Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

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 Single Largest Group of Shareholders, and to protect our minority Shareholders' interests after the **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the **[REDACTED]**, the following persons will have interests or short positions (if applicable) in the Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders' general meetings of our Company:

Name of Shareholders	Nature of interest[1]	Description of Shares	Number of Shares Interested in under the SFO	% of the total issued Shares as of the Latest Practicable Date	Immediately after the [REDACTED]	
					% of the A Shares	% of the total issued Shares
Dr. YAO Lijun (姚力軍). . .	Beneficial owner[2]	A Shares	56,765,724	20.57%	20.57%	[REDACTED]%
	Other[3]	A Shares	8,416,211	3.05%	3.05%	[REDACTED]%

Notes:

(1) All interests stated are long positions.

(2) 14,054,000 of the 56,765,724 A Shares beneficially owned by Dr. YAO Lijun and included in his long position were subject to a share pledge in favor of PRC licensed financial institutions, each being an Independent Third Party, as security for facilities granted to Dr. YAO Lijun for his personal financing needs. As of the Latest Practicable Date, the share pledge had not been enforced, and Dr. YAO Lijun remained the beneficial owner of such A Shares.

(3) By virtue of the Voting Arrangement agreed among Dr. YAO Lijun, Jiangge Enterprise and Hongde Enterprise, Dr. YAO Lijun has the ultimate right to direct the exercise of the voting rights attached to the Shares beneficially owned by Jiangge Enterprise and Hongde Enterprise in our Company. As such, under the SFO, Dr. YAO Lijun is deemed to be interested in the Shares held by Jiangge Enterprise and Hongde Enterprise.

For further information on any other person who will be, immediately following completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the **[REDACTED]**, directly or indirectly, interested in 10% or more of the issued shares of our subsidiaries, see "Appendix IV — Statutory and General Information — D. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of Interests."

BOARD OF DIRECTORS

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

Name	Age[(1)]	Positions	Date of first joining our Group	Date of appointment as a Director	Roles and responsibilities
Dr. BIAN Yijun (邊逸軍)	46	Chairperson of the Board, executive Director and chief executive officer	March 2015	December 2023	Responsible for our Group's overall business operations and management and chairing the Board
Mr. YAO Shun (姚舜)	33	Executive Director	August 2021	June 2025	Responsible for our Group's operational execution and corporate affairs
Mr. QIAN Hongbing (錢紅兵)	55	Executive Director and executive vice president	September 2005	June 2014	Responsible for our Group's quality management and manufacturing operations
Ms. YU Yongqun (于泳群)	52	Executive Director and chief financial officer	August 2016	March 2017	Responsible for our Group's financial and accounting management
Mr. ZHENG Liding (鄭立丁)	47	Non-executive Director (employee representative Director)	June 2009	August 2025	Responsible for representing our Group's employees in participating in decision-making on major matters
Mr. WU Zuliang (吳祖亮)	67	Non-executive Director	December 2022	December 2022	Responsible for providing professional advice and guidance to our Board
Dr. FEI Weidong (費維棟)[(2)]	64	Independent Director	December 2020	December 2020	Responsible for supervising and providing independent advice and judgment to our Board
Dr. ZHANG Jie (張傑)[(2)]	63	Independent Director	December 2020	December 2020	Responsible for supervising and providing independent advice and judgment to our Board
Ms. LIU Xiu (劉秀)[(2)]	46	Independent Director	December 2020	December 2020	Responsible for supervising and providing independent advice and judgment to our Board
Dr. WANG Mingjiang (王明江)[(2)]	58	Proposed independent non-executive Director	[•]	[•]	Responsible for supervising and providing independent advice and judgment to our Board

Name	Age[1]	Positions	Date of first joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. YANG Hui (楊輝)[2]	64	Proposed independent non-executive Director	[•]	[•]	Responsible for supervising and providing independent advice and judgment to our Board
Mr. HO Kin Cheong Kelvin (何建昌)[2] .	59	Proposed independent non-executive Director	[•]	[•]	Responsible for supervising and providing independent advice and judgment to our Board

Notes:

(1) Ages are calculated by reference to the year of birth.

(2) As of the Latest Practicable Date, Dr. Fei, Dr. Zhang and Ms. Liu are our independent Directors and will retire in or about December 2026 upon completing their maximum six-year tenure under PRC regulations. Dr. Wang, Mr. Yang and Mr. Ho have been nominated to succeed them and will take office as our independent Directors under PRC regulations upon Shareholders' approval in or about December 2026, with their appointment as our independent non-executive Directors under the Listing Rules taking effect on the **[REDACTED]**.

Executive Directors

Dr. BIAN Yijun (邊逸軍), aged 46, is our chairperson of the Board, executive Director and chief executive officer, responsible for our Group's overall business operations and management and chairing the Board. Dr. Bian joined our Group in March 2015, previously served as the executive vice president of our Group, and has served as our chief executive officer since December 2023. He was appointed as our Director in December 2023 and as our chairperson of the Board in May 2025, and was re-designated as our executive Director with effect from the **[REDACTED]**.

Prior to joining our Group, Dr. Bian worked at Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司) and Wuhan Xinxin Semiconductor Manufacturing Co., Ltd. (武漢新芯集成電路製造有限公司). Dr. Bian holds directorships in several members of our Group and, since August 2026, has served as the chairperson and a director of our listed subsidiary, Kaide Quartz (BSE: 920179). He also currently holds directorships in certain non-subsidiary investee companies of our Group.

Dr. Bian obtained his Ph.D. in microelectronics and solid-state electronics from Fudan University (復旦大學) in the PRC in June 2019. In June 2021, Dr. Bian received the Second Prize of the Ningxia Science and Technology Progress Award (寧夏科學技術進步二等獎). In 2021, he was named a principal contributor to a project that received the Second Prize of the National Technological Invention Award (國家技術發明獎二等獎). In May 2025, he was named a Young Technology Entrepreneur of Zhejiang Province (浙江省青年科技型企業家).

Mr. YAO Shun (姚舜), aged 33, is our executive Director, responsible for our Group's operational execution and corporate affairs. Mr. Yao joined our Group in August 2021 as an R&D engineer and has served as our Director since June 2025. He was re-designated as our executive Director with effect from the **[REDACTED]**.

Prior to joining our Group, Mr. Yao served as a software engineer of SmartNews, Inc. in the United States.

In addition to his directorships within our Group, Mr. Yao currently holds directorships in various companies, including: (i) Zhejiang Scenertech Materials Co., Ltd. (浙江景昇薄膜科技有限公司) since May 2025; (ii) Hangya Electric Appliances (Shanghai) Co., Ltd. (航亞電器(上海)有限公司) since May 2025; (iii) Shenyang Jiangfeng Tongchuang Precision Manufacturing Co., Ltd. (瀋陽江豐同創精密製造有限公司) since June 2025; and (iv) Beijing Jiangfeng Tongchuang Technology Co., Ltd. (北京江豐同創科技有限公司) since November 2025.

Mr. Yao obtained his master's degree in mechanical engineering from Carnegie Mellon University in the United States in May 2018.

Mr. QIAN Hongbing (錢紅兵), aged 55, is our executive Director and executive vice president, responsible for our Group's quality management and manufacturing operations. Mr. Qian joined our Group in September 2005 and has served as our executive vice president since July 2017. He was appointed as our Director in June 2014 and re-designated as our executive Director with effect from the **[REDACTED]**.

Mr. Qian obtained his master's degree in materials engineering from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in October 2018.

Ms. YU Yongqun (于泳群), aged 52, is our executive Director and chief financial officer, responsible for our Group's financial and accounting management. Ms. Yu joined our Group in August 2016 and has served as our chief financial officer since March 2017. She was appointed as our Director in March 2017 and re-designated as our executive Director with effect from the **[REDACTED]**.

Prior to joining our Group, from January 2003 to May 2010, Ms. Yu served as a project manager of Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)). From June 2010 to July 2016, she served as a senior investment manager of Zhejiang Newline Media Investment Co., Ltd. (浙江新幹線傳媒投資有限公司).

Ms. Yu obtained her bachelor's degree in finance and taxation from Heilongjiang University (黑龍江大學) in the PRC in August 2004. She was accredited as a senior accountant by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in April 2010, and was admitted as a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in July 2015.

Non-executive Directors

Mr. ZHENG Liding (鄭立丁), aged 47, is our non-executive Director (employee representative Director), responsible for representing our Group's employees in participating in decision-making on major matters. Mr. Zheng joined our Group in June 2009 and has served as our director of the president's office since July 2013. He was appointed as our employee representative Director in August 2025 and was re-designated as our non-executive Director with effect from the **[REDACTED]**.

Prior to joining our Group, from September 2003 to May 2007, Mr. Zheng worked at Sunny Optical Technology (Group) Company Limited (舜宇光學科技(集團)有限公司) (SEHK: 2382). From June 2008 to April 2009, he worked at Zhejiang Dafeng Industry Co., Ltd. (浙江大豐實業股份有限公司) (SSE: 603081).

Mr. Zheng obtained his bachelor's degree in business administration from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in July 2003.

Mr. WU Zuliang (吳祖亮), aged 67, is our non-executive Director, responsible for providing professional advice and guidance to our Board. Mr. Wu was appointed as our Director in December 2022 and was re-designated as our non-executive Director with effect from the **[REDACTED]**.

From July 1980 to December 1989, Mr. Wu served as a teacher and subsequently as director of academic affairs of Shanghai Sandun School (上海市三墩學校). From June 2002 to February 2019, he was with Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) (SSE: 601229), where he successively served as president of Shanghai Nanhui Branch and president of Shanghai Fengxian Branch.

Mr. Wu graduated from East China University of Political Science and Law (華東政法大學) with a major in law in the PRC in July 2003.

Independent Non-executive Directors

Dr. FEI Weidong (費維棟), aged 64, is our independent Director, responsible for supervising and providing independent advice and judgment to our Board. Dr. Fei was appointed as our independent Director in December 2020.

Dr. Fei has been with Harbin Institute of Technology since July 1997 and currently serves as a professor.

Dr. Fei obtained his Ph.D. in metallic materials and heat treatment from Harbin Institute of Technology in the PRC in June 1993. In December 1996, Dr. Fei received the Second Prize of the Science and Technology Progress Award of the China Aerospace Industry Corporation (中國航天工業總公司科技進步二等獎). In April 2002, he received the Outstanding Young Teacher Award from the Ministry of Education of the PRC (教育部優秀青年教師獎). In December 2004, he was named a recipient of the Outstanding Young Scientist Fund of Heilongjiang Province (黑龍江省傑出青年基金獲得者). In May 2008, he was named an Outstanding Young and Middle-aged Expert of Heilongjiang Province (黑龍江省優秀中青年專家).

Dr. ZHANG Jie (張傑), aged 63, is our independent Director, responsible for supervising and providing independent advice and judgment to our Board. Dr. Zhang was appointed as our independent Director in December 2020.

Dr. Zhang has been with Harbin Institute of Technology since July 1988 and currently serves as a professor.

In addition to her directorship in our Group, Dr. Zhang has served as an independent director of China Railway Harbin Group of Technology Corporation (哈爾濱國鐵科技集團股份有限公司) (SSE: 688459) since October 2021.

Dr. Zhang obtained her Ph.D. in materials from Harbin Institute of Technology in the PRC in April 2004. In December 1993, Dr. Zhang received the First Prize of the Science and Technology Progress Award of the Ministry of Aerospace Industry of the PRC (航空航天工業部科技進步一等獎). In December 1998, she received the Third Prize of the Science and Technology Progress Award of the

Ministry of Aerospace Industry of the PRC (航空航天工業部科技進步三等獎). In February 2004, she received the First Prize of the Science and Technology Progress Award of the Ministry of Education of the PRC (教育部科技進步一等獎).

Ms. LIU Xiu (劉秀), aged 46, is our independent Director, responsible for supervising and providing independent advice and judgment to our Board. Ms. Liu was appointed as our independent Director in December 2020.

Ms. Liu previously served as a manager of Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)). From September 2012 to June 2017, she served as financial director of Zhejiang Dajing Venture Capital Co., Ltd. (浙江大晶創業投資有限公司). From June 2017 to April 2020, she served successively as risk control director of the investment department of Zhejiang Wanma Intelligent Technology Group Co., Ltd. (浙江萬馬智能科技集團有限公司) and a partner and financial director of Hangzhou Silicon Valley True Stone Asset Management Co., Ltd. (杭州硅谷真石資產管理有限公司). Since August 2020, she has served as financial controller of MicroTech Medical (Hangzhou) Co., Ltd. (微泰醫療器械(杭州)股份有限公司) (SEHK: 2235).

In addition to her directorship in our Company, Ms. Liu has held the following directorships: (i) executive director of MicroTech Medical (Hangzhou) Co., Ltd. (微泰醫療器械(杭州)股份有限公司) (SEHK: 2235) since April 2021; and (ii) independent director of Chengdu Vincentage Pharma Co., Ltd. (成都聞泰醫藥科技股份有限公司) since August 2025.

Ms. Liu obtained her bachelor's degree in financial accounting education from Central China Normal University (華中師範大學) in the PRC in June 2003, and completed the graduate-level program in economics at Zhejiang University (浙江大學) in the PRC in October 2012. She was qualified as a certified public accountant (註冊會計師) by the Ministry of Finance of the PRC (中華人民共和國財政部) in April 2003, as an internal auditor (內部審計師) by the Institute of Internal Auditors (國際內部審計師協會) in November 2004 and as a senior accountant (高級會計師) by the Zhejiang Provincial Department of Human Resources and Social Security (浙江省人力資源和社會保障廳), with authorization from the Provincial Senior Accountant Qualification Review Committee, in April 2015.

Dr. WANG Mingjiang (王明江), aged 58, is our proposed independent non-executive Director, responsible for supervising and providing independent advice and judgment to our Board. Dr. Wang was identified as a candidate for appointment as an independent non-executive Director in October 2026. He is expected to be appointed as an independent Director in or around December 2026, and will be re-designated as an independent non-executive Director with effect from the **[REDACTED]**.

Dr. Wang served as a senior engineer at Huawei Technologies Co., Ltd. (華為技術有限公司) from September 1998 to June 2000. He also worked at Solomon Systech (Shenzhen) Limited (晶門科技(深圳)有限公司).

Dr. Wang has been with Harbin Institute of Technology, Shenzhen (哈爾濱工業大學(深圳)) since September 2003 and currently serves as a professor.

In addition to his directorship in our Company, Dr. Wang also holds or has previously held the following directorships: (i) independent director of Shenzhen CECport Technologies Co., Ltd. (深圳中電港技術股份有限公司) (SZSE: 001287) since June 2022; (ii) independent director of Genew

Technologies Co., Ltd. (深圳震有科技股份有限公司) (SSE: 688418) from May 2025 to July 2026; and (iii) independent director of Shenzhen Zowee Technology Co., Ltd. (深圳市卓翼科技股份有限公司) (SZSE: 002369) since December 2025.

Dr. Wang obtained his Ph.D. in semiconductor physics and semiconductor device physics from Fudan University in the PRC in June 1998.

Mr. YANG Hui (楊輝), aged 64, is our proposed independent non-executive Director, responsible for supervising and providing independent advice and judgment to our Board. Mr. Yang was identified as a candidate for appointment as an independent non-executive Director in November 2026. He is expected to be appointed as an independent Director in or around December 2026, and will be re-designated as an independent non-executive Director with effect from the **[REDACTED]**.

Mr. Yang has been with Zhejiang University (浙江大學) since August 1986 and currently serves as a professor.

Since June 2008, Mr. Yang has served as an executive vice dean of Zhejiang-California International NanoSystems Institute (浙江加州國際納米技術研究院) at Zhejiang University.

In addition to his directorship in our Company, Mr. Yang held the following directorships: (i) independent director of Zhejiang Great Southeast Company Limited (浙江大東南股份有限公司) (SZSE: 002263) from March 2003 to July 2009; and (ii) independent director of SHENZHEN MICROGATE TECHNOLOGY CO., LTD. (深圳市麥捷微電子科技股份有限公司) (SZSE: 300319) from June 2010 to October 2013.

Mr. Yang obtained his master's degree in inorganic non-metallic materials engineering from Zhejiang University in the PRC in July 1986.

Mr. HO Kin Cheong Kelvin (何建昌), aged 59, is our proposed independent non-executive Director, responsible for supervising and providing independent advice and judgment to our Board. Mr. Ho was identified as a candidate for appointment as an independent non-executive Director in October 2026. He is expected to be appointed as an independent Director in or around December 2026, and will be re-designated as an independent non-executive Director with effect from the **[REDACTED]**.

Mr. Ho worked at Grand Orient Holdings Limited (偉東集團有限公司) (SEHK: 0106) from June 1999 to September 2000, serving as the company secretary and financial controller. From December 2000 to October 2003, he worked for Hanny Magnetics Limited, a subsidiary of Hanny Holdings Limited (錦興集團有限公司) (currently known as Master Glory Group Limited) at which his last position was financial analyst. From April 2004 to September 2005, he worked for Friedmann Pacific Greater China Investments Limited (富泰大中華投資有限公司) (SEHK: 1226) as the company secretary and financial controller. From August 2006 to September 2008, he worked for Anhui Tianda Oil Pipe Company Limited (安徽天大石油管材股份有限公司) as the company secretary and qualified accountant. From August 2008 to January 2010, he worked for FU JI Food and Catering Services Holdings Limited (福記食品服務控股有限公司) (currently known as Fresh Express Delivery Holdings Group Co., Ltd (鮮馳達控股集團有限公司)) as the company secretary and chief financial officer. From August 2010 to March 2012 and from May 2012 to December 2014, he worked for Greens Holdings Limited (格菱控股有限公司) at which his last position was company secretary and chief financial officer. From January 2016 to December 2017, he worked for Sand River Golf Club Limited (沙河高爾夫球會有限公司) as the chief financial officer. From March 2019 to May 2020, he worked for Richly

Field China Development Limited (裕田中國發展有限公司) (SEHK: 0313) as the company secretary and chief financial officer. From August 2020 to January 2022, Mr. Ho worked for China Wood International Holding Co., Limited (中木國際控股有限公司) (SEHK: 1822) at which his last position was chief financial officer.

In addition to his directorship in our Company, Mr. Ho also holds or has previously held the following directorships: (i) independent non-executive director of Cheung Tai Hong Holdings Limited (currently known as ITC Neocloud Group Limited) (德祥新雲算力集團有限公司) (SEHK: 0199) from October 2001 to May 2003; (ii) non-executive director of HongDa Financial Holding Limited (弘達金融控股有限公司) (currently known as China Wood International Holding Co., Limited (中木國際控股有限公司)) (SEHK: 1822) from April 2016 to April 2017; (iii) independent non-executive director of CECEP COSTIN New Materials Group Limited (中國節能海東青新材料集團有限公司) (a company previously listed on the SEHK under 2228) from August 2018 to February 2022; (iv) independent non-executive director of Rosan Resources Holdings Limited (融信資源控股有限公司) (a company previously listed on the SEHK under 0578) from July 2020 to November 2022; (v) independent non-executive director of Green Leader Holdings Group Limited (綠領控股集團有限公司) (SEHK: 0061) since August 2020; (vi) independent non-executive director of Yadong Group Holdings Limited (亞東集團控股有限公司) (SEHK: 1795) since October 2020; (vii) independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司) (SEHK: 2126) since October 2020; and (viii) independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (微泰醫療器械(杭州)股份有限公司) (SEHK: 2235) since April 2021.

Mr. Ho obtained his bachelor's degree in business administration from Hong Kong Baptist University in Hong Kong in November 1990. Mr. Ho was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in June 1997 and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom in April 2002. He has passed the Securities Broker Examination of The Stock Exchange of Hong Kong Limited in March 2000.

SENIOR MANAGEMENT

The following table sets forth the key information on our senior management (excluding those who are also Directors) as of the Latest Practicable Date.

Name	Age[1]	Positions	Date of first joining our Group	Date of appointment as a member of senior management	Roles and responsibilities
Dr. YAO Lijun (姚力軍)	59	Chief technology officer	August 2005	August 2008	Responsible for overseeing our Group's technology strategy and the development of our core technologies and products
Dr. ZOU Junwei (鄒俊偉)	42	Board secretary and head of investment	June 2025	September 2025	Responsible for our Group's corporate governance, information disclosure, investor relations and investment matters

Name	Age[(1)]	Positions	Date of first joining our Group	Date of appointment as a member of senior management	Roles and responsibilities
Ms. BAI Qing (白清)	57	Executive vice president	February 2011	December 2020	Responsible for our Group's procurement and supply chain management
Mr. WANG Qingsong (王青松)	45	Executive vice president	November 2006	December 2020	Responsible for our Group's marketing of semiconductor target materials

Note:

(1) Ages are calculated by reference to the year of birth.

For the biographies of Dr. BIAN Yijun, Mr. QIAN Hongbing and Ms. YU Yongqun, see "— Board of Directors — Executive Directors" in this section.

Dr. YAO Lijun (姚力軍), aged 59, is our chief technology officer, responsible for overseeing our Group's technology strategy and the development of our core technologies and products. Dr. Yao served as our chairperson of the Board from August 2008 to May 2025 and chief executive officer from August 2008 to April 2018. He has served as the chief technology officer since May 2018.

Since August 2026, Dr. Yao has served as a director of Kaide Quartz (BSE: 920179).

In addition to his directorships within our Group, Dr. Yao has held the following directorships: (i) chairperson of TCPR Material International Co., Ltd. (上海同創普潤新材料股份有限公司) since December 2025; (ii) chairperson and director of Beijing Xinjingsheng Zhilian Technology Co., Ltd. (北京新景昇智聯科技有限公司) since November 2025; and (iii) director of a subsidiary of Zhejiang Scenertech Materials Co., Ltd. (浙江景昇薄膜科技有限公司) since May 2025.

Dr. Yao obtained his Ph.D. in metallic materials from Harbin Institute of Technology in the PRC in April 1996 and obtained his Ph.D. in metallic materials from Hiroshima University in Japan in December 1997, respectively. In 2021, he was awarded the Second Prize of the National Technological Invention Award (國家技術發明獎二等獎).

Dr. ZOU Junwei (鄒俊偉), aged 42, is our Board secretary and head of investment, responsible for our Group's corporate governance, information disclosure, investor relations and investment matters. Dr. Zou joined our Group in June 2025 and has served as our Board secretary and head of investment since September 2025.

From July 2010 to March 2012, Dr. Zou served as assistant researcher of China National Academy of Educational Sciences (教育部中國教育科學研究院). From April 2012 to March 2015, he served as senior manager of Beijing Financial Assets Exchange Co., Ltd. (北京金融資產交易所有限公司). From April 2015 to June 2018, he served as board secretary and investment director of Beijing Wealth Capital Co., Ltd. (北京國富資本有限公司). From July 2018 to February 2025, he served as managing

director of Zhejiang Fuzhe Private Equity Fund Management Co., Ltd. (浙江富浙私募基金管理有限公司). From April 2025 to June 2025, he served as assistant to the general manager of TCPR Material International Co., Ltd. (上海同創普潤新材料股份有限公司).

Dr. Zou obtained his Ph.D. in public finance from Central University of Finance and Economics (中央財經大學) in the PRC in June 2010.

Ms. BAI Qing (白清), aged 57, is our executive vice president, responsible for our Group's procurement and supply chain management. Ms. Bai joined our Group in February 2011 and has served as our head of procurement and executive vice president since March 2014 and December 2020, respectively.

Prior to joining our Group, Ms. Bai worked at Zhuhai Special Economic Zone Haidu Co., Ltd. (珠海經濟特區海都實業有限公司).

In addition to her position within our Group, Ms. Bai has served as a supervisor of Hunan Hongli New Materials Co., Ltd. (湖南鴻力新材料有限公司) since November 2020.

Ms. Bai completed the postgraduate program in public finance at Chinese Academy of Social Sciences (中國社會科學院) in the PRC in September 2002.

Mr. WANG Qingsong (王青松), aged 45, is our executive vice president, responsible for our Group's marketing of semiconductor target materials. Mr. Wang joined our Group in November 2006 and has served as our executive vice president since December 2020.

Prior to joining our Group, Mr. Wang worked at Qigao (Ningbo) Information Electronics Co., Ltd. (奇高(寧波)訊息電子有限公司) (currently known as Kujin (Ningbo) Information Electronics Co., Ltd. (酷錦(寧波)訊息電子有限公司)) and WOR-TAO PRECISION Machinery Industry (Ningbo) Co., Ltd. (伍道精密機械工業(寧波)有限公司).

Mr. Wang graduated from Northwestern Polytechnical University (西北工業大學) with a major in business administration in the PRC through distance learning in January 2016. In 2023, he was awarded the First Prize of the Scientific and Technological Progress Award of Ningbo City (寧波市科學技術進步一等獎).

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and members of senior management may hold directorships or senior management positions in various subsidiaries of the Group, as may be assigned from time to time to meet the Group's operational and management needs.

As of the Latest Practicable Date, our independent Directors were Dr. FEI Weidong, Dr. ZHANG Jie and Ms. LIU Xiu, each of whom was appointed in December 2020. Upon the expiry of the current term of our Board in or about December 2026, each of them will have served as an independent Director for six consecutive years.

Under the Administrative Measures for Independent Directors of Listed Companies (上市公司獨立董事管理辦法) promulgated by the CSRC, an independent director may not serve for more than six consecutive years. Accordingly, each of Dr. FEI Weidong, Dr. ZHANG Jie and Ms. LIU Xiu will retire

upon the expiry of the term of the current session of our Board in or about December 2026 and will not offer themselves for re-election, in each case solely by reason of the six-year limit under the above requirement applicable to our A Shares. Their retirement is not due to any disagreement with our Board or our Company, and there is no matter relating to their retirement that needs to be brought to the attention of our Shareholders or the Stock Exchange.

In connection with the re-election of our Board, Dr. WANG Mingjiang, Mr. YANG Hui and Mr. HO Kin Cheong Kelvin have been nominated as candidates for independent non-executive Directors, subject to approval by our Shareholders at the general meeting to be convened in or about December 2026. The appointment of each of them as an independent Director will take effect in or about December 2026, at the same time as the retirements described above, and each of them will be re-designated as an independent non-executive Director with effect from the **[REDACTED]**.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors, having made all reasonable inquiries, there are no material matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, and there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Save as disclosed above, none of our Directors or members of senior management has held any other directorship in any company listed in Hong Kong, Chinese Mainland or on any overseas stock exchange during the three years immediately preceding the date of this document.

Save as Dr. YAO Lijun is the father of Mr. YAO Shun, none of our Directors or members of senior management is related to any other Director, proposed Director, member of senior management or substantial shareholders of our Company.

JOINT COMPANY SECRETARIES

Dr. ZOU Junwei (鄒俊偉) is the Board secretary and the head of investment of our Company and was appointed as one of the joint company secretaries of our Company with effect from the date on which our Company passes the **[REDACTED]**. For his biography, see "— Senior Management" above.

Ms. AU YEUNG Lai Yee (歐陽麗儀) was appointed as the joint company secretary of our Company with effect from the date on which our Company passes the **[REDACTED]**. Ms. Au Yeung is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and has over ten years of experience in the corporate secretarial field. She has been an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Au Yeung obtained a bachelor's degree in business administration from Hong Kong Baptist University and a master's degree of corporate governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong).

BOARD COMMITTEES

Our Company has established four committees under the Board, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and Sustainability Committee. The Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee have been established pursuant to the corporate governance requirements under the Listing Rules.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and paragraphs D.3.3 and D.3.7 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to (i) review and supervise our financial reporting process and internal control system, risk management and internal audit of our Group; (ii) provide advice and comments to our Board in respect of financial reporting, financial risk, risk management and internal control matters; and (iii) perform other duties and responsibilities as may be assigned by the Board.

After the **[REDACTED]**, the Audit Committee will comprise Mr. HO Kin Cheong Kelvin (何建昌) (chairperson), Mr. WU Zuliang (吳祖亮) and Dr. WANG Mingjiang (王明江). Mr. HO Kin Cheong Kelvin holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and code provision E.1.2 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to (i) make recommendations to our Board on the policy and structure for all remuneration of our Directors and members of senior management and on the establishment of a formal and transparent procedure for developing such policy; (ii) determine the specific remuneration packages of our executive Directors and members of senior management; and (iii) review and approve matters relating to incentive schemes of our Company.

After the **[REDACTED]**, the Remuneration and Appraisal Committee will comprise Mr. YANG Hui (楊輝) (chairperson), Dr. BIAN Yijun (邊逸軍) and Mr. HO Kin Cheong Kelvin (何建昌).

Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and code provision B.3.1 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify, select or make recommendations to the Board on the selection of individuals nominated for directorships and ensure the diversity of our Board; (iii) review the contributions made by our Directors (including our independent non-executive Directors) and whether they have devoted sufficient time to performing their duties; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on matters relating to the appointment, re-appointment and removal of our Directors.

After the **[REDACTED]**, the Nomination Committee will comprise Dr. WANG Mingjiang (王明江) (chairperson), Ms. YU Yongqun (于泳群) and Mr. YANG Hui (楊輝).

Strategy and Sustainability Committee

We have established a Strategy and Sustainability Committee. The primary duties of the Strategy and Sustainability Committee include, but are not limited to, (i) researching and making recommendations on our long-term development plans; (ii) researching and making recommendations on major investment and financing plans that require the approval of the Board or the general meeting under the Articles of Association; (iii) researching and making recommendations on our major capital operations and asset management projects; (iv) researching and making recommendations on other significant matters affecting our development; and (v) reviewing our sustainability and ESG strategy and goals.

After the **[REDACTED]**, the Strategy and Sustainability Committee will comprise Dr. BIAN Yijun (邊逸軍) (chairperson), Mr. YAO Shun (姚舜), Dr. WANG Mingjiang (王明江), Mr. YANG Hui (楊輝) and Mr. HO Kin Cheong Kelvin (何建昌).

REMUNERATION OF OUR DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Directors and senior management receive remuneration comprising fees, basic annual payments, performance-related annual payments and long-term incentives, including fees, wages, salaries and bonuses, defined contribution plans, other social security costs, housing benefits and share-based compensation expenses.

Under our existing remuneration arrangements, the total remuneration (including share-based payments and any discretionary bonuses) payable by us to our Directors for the financial year ending December 31, 2026 is expected to be approximately RMB10.99 million. Actual remuneration may differ from this amount.

The aggregate amount of remuneration paid to our Directors for the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026 was approximately RMB4.33 million, RMB6.54 million, RMB6.47 million and RMB2.84 million, respectively. For details of the remuneration of each Director during the Track Record Period, please refer to Note 9(c) to the Accountants' Report in Appendix I to this document.

For the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the total emoluments paid to the five highest-paid individuals (excluding Directors, of whom there were nil, nil, two and one, respectively) by us amounted to RMB18.25 million, RMB14.39 million, RMB7.62 million and RMB4.12 million, respectively. For details of the remuneration of the five highest-paid employees during the Track Record Period, please refer to Note 9(b) to the Accountants' Report in Appendix I to this document.

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 former Directors or the five highest-paid individuals for the loss of office as a 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 emoluments.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the **[REDACTED]**, receive recommendations from the Remuneration and Appraisal Committee, taking into account the salaries paid by comparable companies, the time commitment and responsibilities of our Directors and the performance of our Group.

COMPLIANCE ADVISOR

We have appointed Red Solar Securities (International) Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The term of appointment of our Compliance Advisor shall commence on the **[REDACTED]** and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

CORPORATE GOVERNANCE

We recognize the importance of sound corporate governance in ensuring effective oversight and accountability. We have adopted the code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules and believe that the Board should maintain a balanced composition, with a strong independent element capable of exercising independent judgment. Following the **[REDACTED]**, our Company intends to comply with all applicable code provisions in Part 2 of the Corporate Governance Code, except for code provision C.2.1, which provides that the roles of chairperson and chief executive should be separate and should not be performed by the same individual. Dr. BIAN Yijun currently serves as both the chairperson of the Board and the chief executive officer of our Company and has been primarily responsible for formulating our Group's overall corporate and business strategies and making significant business and operational decisions.

In view of Dr. BIAN Yijun's contributions and extensive experience, the Board believes that his continued performance of both roles will provide consistent leadership and facilitate the effective execution of our business strategies. Accordingly, we do not currently propose to separate these roles following the **[REDACTED]**.

Although this arrangement will constitute a deviation from code provision C.2.1, the Board believes that it will not impair the balance of power and authority between the Board and management because: (i) Board decisions are generally required to be approved by more than half of all our Directors, and at least one-third of the Board consists of independent non-executive Directors; (ii) all Directors are aware of, and have undertaken to fulfill, their fiduciary duties to act in the best interests of our Company; and (iii) the Board comprises experienced individuals and meets regularly to consider matters affecting our operations. Our Group's overall strategic direction and key business, financial and operational policies are also determined collectively following discussions at Board and senior management level.

MANAGEMENT PRESENCE IN HONG KONG

Under Rules 8.12 and 19A.15 of the Listing Rules, we must maintain a sufficient management presence in Hong Kong. Since the principal business operations of our Group are conducted outside 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 — Waiver in Respect of Management Presence in Hong Kong."

BOARD DIVERSITY POLICY

We have adopted a diversity policy to support our strategic goals and sustainable growth. We value diversity in areas including gender, age, cultural and educational background, professional experience and skills. Director candidates are selected based on merit and alignment with our business needs, with diversity as an important consideration. We place particular emphasis on gender diversity. Following the **[REDACTED]**, we aim to gradually increase the number of female Directors by identifying and maintaining a pipeline of qualified female candidates with diverse expertise. We promote gender balance in mid- to senior-level recruitment to build a pipeline of future female leaders and provide training to high-potential female employees in operations, management, finance and compliance to prepare them for leadership roles. Our policy does not regard a single-gender Board as achieving Board diversity. Our Nomination Committee oversees the implementation of the policy and will review it annually. Progress against the policy's objectives and measurable outcomes will be disclosed in our corporate governance report.

CONFIRMATIONS FROM OUR DIRECTORS

(a) Rule 8.10 of the Listing Rules

Each of our Directors (other than our independent non-executive Directors and proposed independent non-executive Directors) confirms that, as of the Latest Practicable Date, he or she did not have any interest in a business that competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

(b) Rule 3.09D of the Listing Rules

Each of our Directors and proposed Directors confirms that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on October 26, 2026 and November 6, 2026, respectively; and (ii) understands his or her obligations as a director of a **[REDACTED]** under the Listing Rules.

(c) Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors and proposed independent non-executive Directors has confirmed that (i) he or she is independent having regard to 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 and has no connection with any core connected person of our Company under the Listing Rules, in each case as of the Latest Practicable Date; and (iii) there are no other factors that may affect his or her independence at the time of his or her appointment.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with parties who will, upon the **[REDACTED]**, become our connected persons. Upon the **[REDACTED]**, such transactions will constitute our connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Our Group has entered into transactions with the following connected persons:

Connected Person	Principal Business	Connected Relationship
TCPR Material International Co., Ltd. (上海同創普潤新材料股份有限公司) ("**TCPR**", together with its subsidiaries, the "**TCPR Group**")	R&D, production and sale of advanced metal materials	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Beijing Jiangfeng Tongchuang Semiconductor Industry Fund (Limited Partnership) (北京江豐同創半導體產業基金(有限合夥)) ("**Jiangfeng Tongchuang Semiconductor**", together with its affiliates, the "**Jiangfeng Tongchuang Semiconductor Entities**") . . .	Industrial investment in the semiconductor sector, and the R&D, production and sale of semiconductor fluid delivery components, hardware, as well as packaging materials, through its affiliates	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Zhejiang Scenertech Materials Co., Ltd. (浙江景昇薄膜科技有限公司) ("**Zhejiang Scenertech**", together with its subsidiaries, the "**Zhejiang Scenertech Group**")	R&D, production and sale of pan-semiconductor coating equipment, materials and products	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Hunan Tongchuang Plasma Technology Co., Ltd. (湖南同創等離子科技有限公司) ("**Hunan Tongchuang Plasma**")	R&D, production and sale of radio-frequency plasma spheroidization equipment	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Ningbo Yangming Industrial Technology Research Institute Co., Ltd. (寧波陽明工業技術研究院有限公司) ("**Yangming Research Institute**")	Incubation service center for industrial technology projects	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level

Connected Person	Principal Business	Connected Relationship
Ningbo Jiangfeng Tongchuang Technology Group Co., Ltd. (寧波江豐同創科技集團有限公司) ("**Jiangfeng Tongchuang Technology**", together with its subsidiaries, the "**Jiangfeng Tongchuang Technology Group**")	Industrial investment in the semiconductor sector, and, through its subsidiaries, the R&D, production and sale of special ceramic materials and clean energy development and management	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Zhejiang Yangming Jiangfeng Enterprise Management Consulting Co., Ltd. (浙江陽明江豐企業管理諮詢有限公司) ("**Yangming Enterprise Management**")	Enterprise management consulting and related business support services	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Ningbo Saipo New Materials Co., Ltd. (寧波賽珀新材料有限公司) ("**Ningbo Saipo**") . . .	R&D, production and sale of special ceramic products and new ceramic materials	an associate of Dr. YAO Lijun, our substantial shareholder, and therefore a connected person at the issuer level
Beijing Ruisheng Precision Semiconductor Technology Co., Ltd. (北京睿昇精機半導體科技有限公司) ("**Beijing Ruisheng**", together with its subsidiaries, the "**Beijing Ruisheng Group**")	R&D, production and sale of semiconductor components, and customization and contract manufacturing services for related components	an associate of Mr. SHAN Changbin, a director of our subsidiary, and therefore a connected person at the subsidiary level

Each of the connected persons listed above, other than the Beijing Ruisheng Group, is an associate of Dr. YAO Lijun (collectively, "**Dr. Yao's Associates**"). As Dr. Yao's Associates are connected with one another, transactions of a similar nature between our Group and Dr. Yao's Associates are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. The Beijing Ruisheng Group is a connected person of our Company at the subsidiary level only and is not connected with Dr. Yao's Associates, and transactions with the Beijing Ruisheng Group are therefore not aggregated with transactions with Dr. Yao's Associates.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual caps for the years ending December 31, 2027	2028	2029
			(RMB million)		
A. Fully-exempt continuing connected transactions					
at the issuer level					
(1) Provision of technical and processing services. .	14A.76(1)(a)	N/A	N/A	N/A	N/A

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual caps for the years ending December 31, 2027	2028	2029
				(RMB million)	
(2) Provision of marketing services	14A.76(1)(a)	N/A	N/A	N/A	N/A
(3) Provision of administrative services	14A.76(1)(a)	N/A	N/A	N/A	N/A
(4) Purchase of processing services	14A.76(1)(a)	N/A	N/A	N/A	N/A
at the subsidiary level					
(5) Purchase of products	14A.76(1)(b)	N/A	N/A	N/A	N/A
B. Partially-exempt continuing connected transactions					
(1) Lease of properties and equipment	14A.35, 14A.76(2) and 14A.105	Announcement	32.77	32.77	32.77
(2) Purchase of administrative services	14A.35, 14A.76(2) and 14A.105	Announcement	32.30	36.46	40.57
(3) Purchase of photovoltaic electricity	14A.35, 14A.52, 14A.76(2) and 14A.105	Announcement	7.00	10.00	15.00
C. Non-exempt continuing connected transactions					
(1) Purchase of products	14A.35, 14A.36, 14A.46 and 14A.105	Announcement, circular and independent Shareholders' approval	2,944.60	3,806.00	4,846.00
(2) Sale of products	14A.35, 14A.36, 14A.46 and 14A.105	Announcement, circular and independent Shareholders' approval	336.00	447.00	578.50

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Transactions with Connected Persons at the Issuer Level

(1) Provision of Technical and Processing Services to the TCPR Group, the Zhejiang Scenertech Group, the Jiangfeng Tongchuang Technology Group and Ningbo Saipo

We provide the TCPR Group, the Zhejiang Scenertech Group, the Jiangfeng Tongchuang Technology Group and Ningbo Saipo with technical, testing, machining and isostatic pressing services on metal materials and non-metallic materials (such as ceramics) provided by them for their own production.

The service fees are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the nature, technical complexity and workload of the services required.

As each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of such transactions, on an aggregated basis, is expected to be less than 0.1% on an annual basis, the provision of technical and processing services to the TCPR Group, the Zhejiang Scenertech Group, the Jiangfeng Tongchuang Technology Group and Ningbo Saipo will, upon the **[REDACTED]**, be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, pursuant to Rule 14A.76(1)(a) of the Listing Rules.

(2) Provision of Marketing Services to the Zhejiang Scenertech Group

We provide the Zhejiang Scenertech Group with market development, customer liaison and other marketing support services for its pan-semiconductor coating equipment, materials and products in markets outside Chinese Mainland, primarily Japan and Taiwan Region.

The service fees are determined on normal commercial terms after arm's length negotiations between the relevant parties, and are mainly calculated as a percentage of the sales of the relevant products, together with reimbursement of related personnel costs on an actual basis where agreed.

As each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of such transactions is expected to be less than 0.1% on an annual basis, the provision of marketing services to the Zhejiang Scenertech Group will, upon the **[REDACTED]**, be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, pursuant to Rule 14A.76(1)(a) of the Listing Rules.

(3) Provision of Administrative Services to the TCPR Group, the Jiangfeng Tongchuang Semiconductor Entities and Yangming Research Institute

We provide the TCPR Group, the Jiangfeng Tongchuang Semiconductor Entities and Yangming Research Institute with water, electricity and other utilities (which we procure centrally from the relevant public utility suppliers) and related administrative support services at the premises leased from us or shared with us.

The service fees are determined on normal commercial terms on a cost basis, mainly with reference to the actual costs of our procurement from the relevant suppliers and the government-prescribed unit prices, and are calculated based on the actual consumption of each connected person (where separate meters are installed) or a reasonable cost allocation ratio (such as by area occupied or actual usage).

As each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of such transactions, on an aggregated basis, is expected to be less than 0.1% on an annual basis, the provision of administrative services to the TCPR Group, the Jiangfeng Tongchuang Semiconductor Entities and Yangming Research Institute will, upon the **[REDACTED]**, be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, pursuant to Rule 14A.76(1)(a) of the Listing Rules.

(4) Purchase of Processing Services from the TCPR Group, the Jiangfeng Tongchuang Technology Group and Ningbo Saipo

We engage the TCPR Group, the Jiangfeng Tongchuang Technology Group and Ningbo Saipo to provide high-temperature sintering services on certain of our metal target blanks (mainly tantalum) and non-metallic materials (such as ceramics).

The service fees are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the nature, process and technical requirements and quantities of the processing services required.

As each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of such transactions, on an aggregated basis, is expected to be less than 0.1% on an annual basis, the purchase of processing services from the TCPR Group, the Jiangfeng Tongchuang Technology Group and Ningbo Saipo will, upon the **[REDACTED]**, be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, pursuant to Rule 14A.76(1)(a) of the Listing Rules.

Transactions with Connected Persons at the Subsidiary Level

(5) Purchase of Products from the Beijing Ruisheng Group

We purchase from the Beijing Ruisheng Group semiconductor components produced in accordance with the specifications designated by us or our customers, including chambers and other metal components.

Although we have in-house production capabilities, we outsource the production of certain components to external suppliers (including the Beijing Ruisheng Group and Independent Third Party suppliers) from time to time in order to meet order demand during peak periods. We remain responsible for setting product technical specifications, conducting quality acceptance and liaising with customers. Taking into account the Beijing Ruisheng Group's manufacturing capabilities, consistent product quality and familiarity with our technical requirements, we engage the Beijing Ruisheng Group for such outsourced production.

The purchase prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the specification requirements, process complexity and purchase quantities of the products, and the relevant raw material and manufacturing costs.

As each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules in respect of such transactions is expected to be less than 1% on an annual basis, the purchase of products from the Beijing Ruisheng Group will, upon the **[REDACTED]**, be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, pursuant to Rule 14A.76(1)(b) of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Lease of Properties and Equipment to the TCPR Group, the Jiangfeng Tongchuang Semiconductor Entities, the Jiangfeng Tongchuang Technology Group and Hunan Tongchuang Plasma

Principal terms

We lease to the TCPR Group, the Jiangfeng Tongchuang Semiconductor Entities, the Jiangfeng Tongchuang Technology Group and Hunan Tongchuang Plasma certain properties and equipment, details of which are as follows:

(i) *Lease of properties to the TCPR Group.* We lease to the TCPR Group two properties located in Yuyao City, Zhejiang Province, with an aggregate gross floor area of 7,820 square meters, factory premises located in Yiyang City, Hunan Province, with a gross floor area of 25,666.70 square meters, and certain office workspace in Japan, in each case for use in its production, operations and office.

(ii) *Lease of property to Hunan Tongchuang Plasma.* We lease to Hunan Tongchuang Plasma factory premises located in Yiyang City, Hunan Province, with a gross floor area of 1,152 square meters, for use in its production and operations.

(iii) *Lease of properties and equipment to the Jiangfeng Tongchuang Technology Group.* We lease to the Jiangfeng Tongchuang Technology Group a property located in Yiyang City, Hunan Province, with a gross floor area of approximately 88,000 square meters, and certain equipment for use in its operations.

(iv) *Lease of equipment to the Jiangfeng Tongchuang Semiconductor Entities.* We lease to the Jiangfeng Tongchuang Semiconductor Entities certain equipment for use in their operations and research and development.

Pricing policies

The rent for the properties is determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the gross floor area of the respective properties and the prevailing market rent of comparable properties in the vicinity. The rent for the equipment is determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the depreciation cost of the relevant leased equipment.

Historical transaction amounts

For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of the above leases were RMB2.38 million, RMB4.05 million, RMB4.20 million and RMB2.69 million, respectively, comprising (i) RMB2.14 million, RMB3.93 million, RMB4.00 million and RMB2.26 million with respect to the TCPR Group; (ii) RMB0.24 million, RMB0.12 million, RMB0.12 million and RMB0.06 million with respect to the Jiangfeng Tongchuang Semiconductor Entities; (iii) nil, nil, nil and RMB0.32 million with respect to the Jiangfeng Tongchuang Technology Group; and (iv) nil, nil, RMB0.08 million and RMB0.06 million with respect to Hunan Tongchuang Plasma.

Annual caps

Our Directors estimate that the maximum amounts receivable by our Group for the above leases for each of the three years ending December 31, 2029 will not exceed the amounts set out below:

	For the year ending December 31,		
	2027	**2028**	**2029**
		(RMB million)	
Annual caps			
TCPR Group	5.00	5.00	5.00
Jiangfeng Tongchuang Semiconductor Entities	0.15	0.15	0.15
Jiangfeng Tongchuang Technology Group	27.50	27.50	27.50
Hunan Tongchuang Plasma	0.12	0.12	0.12
Total	**32.77**	**32.77**	**32.77**

In arriving at the above proposed annual caps, our Directors have mainly considered (i) the historical transaction amounts; (ii) the rent and fees payable under the existing leases and the expected future leasing arrangements; and (iii) the gross floor area and location of relevant properties, the prevailing market rent of comparable properties in the vicinity, and the depreciation cost of the relevant equipment.

Listing Rules implications

As the above leases are similar in nature, each involving the leasing of assets by our Group as lessor for use by the relevant counterparties in their production, operations and/or research and development, and as each counterparty is one of Dr. Yao's Associates, the transactions are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect of the aggregated annual caps for the above leases is expected to be more than 0.1% but less than 5% on an annual basis, such transactions will, upon the **[REDACTED]**, be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transactions

Leasing the relevant properties and equipment, which are surplus to our current operational needs, to the relevant connected persons enables our Group to derive stable rental income and make use of our surplus assets. In addition, as the relevant counterparties already occupy such properties and use such equipment for their production operations, continuing the leases avoids the cost and time involved in sourcing new tenants.

(2) Purchase of Administrative Services from the TCPR Group, the Zhejiang Scenertech Group, Yangming Research Institute and Yangming Enterprise Management

Principal terms

We purchase from the TCPR Group, the Zhejiang Scenertech Group, Yangming Research Institute and Yangming Enterprise Management certain administrative services, details of which are as follows:

(i) *From the TCPR Group.* The TCPR Group supplies to us (a) water, electricity, heating and other utilities at the properties we lease from it; (b) property management services provided in respect of the properties leased by us from it; and (c) catering services for our employees at the canteen facilities operated by the TCPR Group at such properties.

(ii) *From the Zhejiang Scenertech Group.* The Zhejiang Scenertech Group supplies to us water, electricity and other utilities at the property we lease from it.

(iii) *From Yangming Research Institute.* Yangming Research Institute supplies to us (a) water, electricity and other utilities at the properties we lease from it; (b) property management services provided in respect of the properties leased by us from it; and (c) parking spaces for use by our Group and our employees.

(iv) *From Yangming Enterprise Management.* Yangming Enterprise Management provides us with conference arrangements and related business support services.

Pricing policies

Water, electricity, heating and other utilities are supplied based on our actual usage as measured by the relevant meters, the readings of which are recorded and checked regularly by staff of both parties, and are charged with reference to the unit prices charged to the relevant counterparty by the relevant public utility suppliers. The property management fee is determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the leased area of the relevant properties, the scope and standard of the property services provided, and the prevailing property management fee levels of comparable properties in the vicinity, and is charged at a fixed unit rate per square meter per month. Catering fees are charged at the same rates applicable to the TCPR Group's own employees and other users of the canteen facilities. Parking fees are charged at a fixed rate per parking space. Conference service fees are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to usage requirements and the related operating costs. The terms of each of the above services are no less favorable to us than those offered by Independent Third Parties for comparable services.

Historical transaction amounts

For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of the above services were RMB7.51 million, RMB13.57 million, RMB19.42 million and RMB9.60 million, respectively, comprising (i) RMB5.63 million, RMB11.10 million, RMB18.50 million and RMB9.06 million with respect to the TCPR Group; (ii) nil, RMB1.21 million, RMB0.59 million and RMB0.30 million with respect to the Zhejiang Scenertech Group; (iii)

RMB1.88 million, RMB1.26 million, RMB0.32 million and RMB0.24 million with respect to Yangming Research Institute; and (iv) nil, nil, RMB0.01 million and RMB0.004 million with respect to Yangming Enterprise Management.

Annual caps

Our Directors estimate that the maximum amounts payable by our Group for the above services for each of the three years ending December 31, 2029 will not exceed the amounts set out below:

	For the year ending December 31,		
	2027	**2028**	**2029**
		(RMB million)	
Annual caps			
TCPR Group	29.80	33.80	37.80
Zhejiang Scenertech Group	1.50	1.50	1.50
Yangming Research Institute	0.85	1.01	1.12
Yangming Enterprise Management	0.15	0.15	0.15
Total	**32.30**	**36.46**	**40.57**

In arriving at the above proposed annual caps, our Directors have mainly considered the following: (i) the historical transaction amounts; (ii) having regard to our production plans and the planned expansion of our operations at the relevant premises, the expected consumption of utilities, the expected number of employees using the canteen and parking facilities, and the area of the properties leased by us that require property management services; (iii) the prevailing public utility tariffs, the prevailing property management fee levels of comparable properties in the vicinity and the prevailing rates of the relevant services and their expected changes; and (iv) a reasonable buffer for increases in demand.

Listing Rules implications

As the above transactions are similar in nature, each involving the purchase of administrative services by our Group, and as each counterparty is one of Dr. Yao's Associates, the transactions are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect of the aggregated annual caps for the above transactions is expected to be more than 0.1% but less than 5% on an annual basis, such transactions will, upon the **[REDACTED]**, be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transactions

As our Group uses the relevant properties of the TCPR Group, the Zhejiang Scenertech Group and Yangming Research Institute and does not maintain separate accounts with the relevant public utility suppliers in respect of such properties, it is more economical and convenient for us to obtain water, electricity, heating and other utilities through the transmission and distribution facilities installed and maintained by the relevant counterparties. In addition, the property management services provided by the TCPR Group and Yangming Research Institute support the day-to-day operation and maintenance of the properties we lease from them, the catering and parking services support our day-to-day operations

at such properties, and the conference services provided by Yangming Enterprise Management support our business activities. Such services enable us to meet the daily needs of our employees and the operational needs of our business in a convenient and cost-effective manner.

(3) Purchase of Photovoltaic Electricity from the Harbin Shenghong Group

Principal terms

On [•], our Company (for itself and on behalf of its subsidiaries) and Harbin Shenghong Technology Co., Ltd. (哈爾濱勝泓科技有限公司) ("**Harbin Shenghong**", together with its subsidiaries, the "**Harbin Shenghong Group**") (for itself and on behalf of its subsidiaries) entered into a photovoltaic power generation project energy management agreement (the "**Energy Management Agreement**"). Harbin Shenghong, a subsidiary of Jiangfeng Tongchuang Technology, is a member of the Jiangfeng Tongchuang Technology Group and therefore one of Dr. Yao's Associates. Pursuant to the Energy Management Agreement, (i) the relevant members of our Group make available to the Harbin Shenghong Group the rooftops of, and sites at, certain of their buildings for the construction and operation of photovoltaic power stations; and (ii) the Harbin Shenghong Group supplies to our Group, on a priority basis, the electricity generated by the relevant power stations. The Energy Management Agreement will remain in force for 25 years from the date on which the relevant power station is connected to the grid and commences power generation.

Pricing policies

The electricity prices under the Energy Management Agreement are determined on normal commercial terms after arm's length negotiations between the relevant parties, and are set throughout the term of the agreement at a discount of approximately 30% to the prevailing industrial and commercial grid electricity tariff applicable to our Group in each relevant locality. The discount represents the consideration for the use of the rooftops and sites provided by our Group, and accordingly the Harbin Shenghong Group is not required to pay any separate rent to our Group. Electricity charges are calculated based on the actual consumption as measured by the relevant meters, the readings of which are jointly recorded and confirmed by staff of both parties.

Historical transaction amounts

For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our procurement of photovoltaic electricity from the Harbin Shenghong Group were nil, nil, nil and RMB0.35 million, respectively.

Annual caps

Our Directors estimate that the maximum amounts payable by our Group for the purchase of photovoltaic electricity for each of the three years ending December 31, 2029 will not exceed RMB7.00 million, RMB10.00 million and RMB15.00 million, respectively. As the relevant power stations only commenced operation in 2026, the limited historical transaction amounts are not directly indicative of future full-year transaction levels. In arriving at the above proposed annual caps, our Directors have mainly considered (i) the expected annual power generation of the existing power stations upon full operation (estimated based on their designed installed capacities and recent actual operating efficiency), substantially all of which is expected to be consumed by our Group as the electricity generated is supplied to our Group on a priority basis for self-consumption; (ii) the expected settlement electricity

price determined with reference to the prevailing grid electricity tariffs applicable in the relevant localities and the discount rate agreed under the Energy Management Agreement; and (iii) the parties' intention to extend the rooftop photovoltaic arrangements in phases to our premises in other cities (including Ningbo, Hangzhou and Shanghai) through separate energy management sub-agreements on substantially the same terms. The year-on-year increase in the proposed annual caps mainly reflects the growth in electricity supply resulting from the gradual commencement of operation of such new projects during the relevant period.

Listing Rules implications

As the highest applicable percentage ratio under the Listing Rules in respect of the proposed annual caps for the purchase of photovoltaic electricity is expected to be more than 0.1% but less than 5% on an annual basis, such transactions will, upon the **[REDACTED]**, be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Under Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction must not exceed three years, except in special circumstances where the nature of the transaction requires a longer period. As described above, the Energy Management Agreement has a term of 25 years from grid connection. A term longer than three years is required for the Energy Management Agreement, having considered that (i) the Harbin Shenghong Group bears the entire capital investment in, and the construction, operation and maintenance costs of, the power stations, and a long-term arrangement is necessary for it to recover its investment over the operating life of the power stations; (ii) a longer term enables our Group to secure a stable supply of clean energy at a discount to the local grid tariff throughout the term of the agreement without making any capital investment, and avoids unnecessary disruption to our production operations; and (iii) it is normal business practice in the industry for photovoltaic contract energy management agreements of a similar nature to have a term of approximately 25 years, consistent with the expected operating life of photovoltaic power stations.

The making available of the rooftops and sites by our Group forms an integral part of the Energy Management Agreement. As the consideration is reflected in the discount to the electricity price and no separate rent is payable, it is not treated as a separate leasing transaction, and the transactions under the Energy Management Agreement are classified as the purchase of photovoltaic electricity by our Group.

Reasons for the transactions

The Harbin Shenghong Group has relevant expertise and operating experience in photovoltaic power generation, electrical installation and contract energy management. By cooperating with the Harbin Shenghong Group, we are able to leverage its expertise and make use of idle rooftop space at our production bases to obtain electricity at a discount to the local grid tariff, without bearing the capital expenditure, operation and maintenance costs or operating risks of the photovoltaic power stations, thereby reducing our energy costs. In addition, distributed rooftop photovoltaic power provides a stable, on-site supplementary supply of clean electricity for our production operations and enhances the security of our power supply. It also increases the proportion of renewable energy used by our Group, advances our energy conservation and emission reduction targets, and supports our efforts to meet the green supply chain requirements of our customers.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Purchase of Products from the TCPR Group, the Zhejiang Scenertech Group, the Jiangfeng Tongchuang Semiconductor Entities and Ningbo Saipo

Purchase of Products from the TCPR Group

We purchase from the TCPR Group ultra-high purity metal materials and high-performance metal materials, including aluminum, tantalum, copper, copper-manganese alloy and other metals and alloys.

Pricing policies. The purchase prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to (i) the specific specifications, purity grades, process requirements and purchase quantities of the metal materials; (ii) the prevailing benchmark prices of the relevant bulk or rare metals on international and domestic public markets (such as the London Metal Exchange, the Shanghai Futures Exchange or public platforms such as Shanghai Metals Market); and (iii) market quotations for comparable materials offered by Independent Third Party suppliers. To ensure that the purchase prices are fair and reasonable and the terms are no less favorable to us than those offered by Independent Third Parties, we apply the following category-based price verification procedures in determining the purchase prices: (a) market comparison method (for materials with comparable market quotations): our business department or procurement department obtains contemporaneous quotations for comparable materials from qualified Independent Third Party suppliers (or refers to the actual transaction prices of our recent purchases of comparable materials from Independent Third Party suppliers) and compares them with the TCPR Group's quotations in terms of price, purity and delivery terms, to ensure that our purchase prices from the TCPR Group are not higher than those quoted by Independent Third Party suppliers for comparable materials; and (b) cost-plus and reverse pricing verification (for materials without comparable market quotations): where comparable quotations cannot be obtained from Independent Third Parties due to specific process requirements, we derive a maximum purchase price for the raw material by deducting from the expected selling price of the corresponding finished targets to end customers (1) a reasonable target gross profit margin set by our Group for such targets (with reference to the historical gross profit margins of our same or similar target products) and (2) our expected manufacturing, processing and testing costs. We then cross-check this maximum price against the relevant upstream public metal benchmark prices. The final purchase price is agreed with the TCPR Group through arm's length negotiations and will not exceed such maximum price, having regard to the relevant upstream public metal benchmark prices and process complexity. In addition, the agreed purchase prices are adjusted from time to time to reflect fluctuations in the relevant upstream bulk metal market prices.

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our procurement of the above products from the TCPR Group were RMB296.32 million, RMB784.05 million, RMB996.74 million and RMB886.11 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts payable by our Group to the TCPR Group for the above purchases for each of the three years ending December 31, 2029 will not exceed RMB2,800.00 million, RMB3,600.00 million and RMB4,600.00 million, respectively. In arriving at the above proposed annual caps, our Directors have mainly considered:

(i) the historical transaction base and recent transaction levels: our purchases from the TCPR Group increased during the Track Record Period, reaching RMB996.74 million for the year ended December 31, 2025 and RMB886.11 million for the six months ended June 30, 2026 alone (representing an annualized amount of approximately RMB1,772 million, an increase of approximately 77.8% over the year ended December 31, 2025), which forms the basis for the proposed annual caps;

(ii) the increase in purchase volume driven by expanding downstream semiconductor demand and the expansion of our production capacity: driven by developments in AI, advanced logic chips, advanced memory and advanced packaging technology, global and Chinese demand for ultra-high purity metal sputtering targets continues to rise, we have a backlog of orders from our principal wafer foundries, IDMs and semiconductor equipment customers, and the capacity ramp-up of their new fabs and process node upgrades are expected to generate additional demand; as our existing target production lines are already operating at high utilization rates, we are continuing to construct new production lines and expand capacity at our production bases in China and overseas, and as such new capacity successively commences production and ramps up during the three years ending December 31, 2029, our overall purchase volume of upstream ultra-high purity metal materials is expected to increase accordingly;

(iii) the increase in purchase amounts driven by the upgrade of our product mix toward high-value materials for advanced process nodes: as the proportion of targets for advanced process nodes in our product portfolio continues to rise, the proportion of our purchases of raw materials such as ultra-high purity tantalum, copper and copper-manganese alloy increases accordingly, and as the unit value of such materials (in particular ultra-high purity tantalum) is higher than that of ultra-high purity aluminum, the shift in our product mix is expected to increase the average unit cost, and therefore the total value, of our raw material purchases;

(iv) customer qualification requirements and the TCPR Group's supply capacity: semiconductor ultra-high purity metal materials are subject to strict purity and batch-to-batch consistency requirements, and downstream wafer fab customers impose stringent qualification procedures on targets and their upstream raw materials, and qualified upstream material sources are generally not readily replaced; meanwhile, the TCPR Group is able to supply a wide range of ultra-high purity metal materials consistently and at scale and is expected to remain one of our principal suppliers following our capacity expansion; and

(v) bulk and rare metal price fluctuations and a reasonable inventory buffer: having considered potential fluctuations in the prices of upstream metal raw materials (in particular tantalum and copper) in international and domestic markets and in exchange rates, as well as the reasonable inventory and buffer we need to maintain to support the commencement of production of new lines, safeguard supply-chain security and cope with peak customer orders.

Purchase of Products from the Zhejiang Scenertech Group

We purchase from the Zhejiang Scenertech Group pan-semiconductor coating equipment, materials and products to support our business operations and meet our customers' demand for bundled supply.

Pricing policies. The purchase prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the specifications and quantities of the products procured, the relevant raw material and manufacturing costs, and the prices at which we sell the relevant products to our customers (taking into account our reasonable gross profit margin).

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our procurement of the above products from the Zhejiang Scenertech Group were RMB17.47 million, RMB23.17 million, RMB23.56 million and RMB10.15 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts payable by our Group to the Zhejiang Scenertech Group for the above purchases for each of the three years ending December 31, 2029 will not exceed RMB35.00 million, RMB40.00 million and RMB45.00 million, respectively. In arriving at the above proposed annual caps, our Directors have mainly considered (i) the historical transaction amounts during the Track Record Period; (ii) the expected purchase scale to support our Group's business development (including our business expansion in markets such as Japan and Taiwan Region and our customers' demand for bundled supply of pan-semiconductor coating equipment, materials and products); (iii) the expected purchase prices of such coating equipment, materials and products, taking into account product specifications and configurations, the relevant raw material costs and potential fluctuations in exchange rates; and (iv) a reasonable buffer to accommodate increases in demand and price fluctuations.

Purchase of Products from the Jiangfeng Tongchuang Semiconductor Entities

We purchase from the Jiangfeng Tongchuang Semiconductor Entities (i) semiconductor fluid delivery components and hardware (including piping, fittings, valves and gas/fluid lines); and (ii) packaging, protective materials and related production consumables.

Pricing policies. The purchase prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, where (i) for semiconductor components, the purchase prices are mainly determined with reference to the prices at which we sell the relevant products to our customers, taking into account our target profit margin; and (ii) for packaging materials, the purchase prices are mainly determined with reference to the specifications, models and quantities of the products, the relevant raw material and manufacturing costs, and the prevailing market prices of comparable products supplied by Independent Third Party suppliers.

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our procurement of the above products from the Jiangfeng Tongchuang Semiconductor Entities were RMB2.28 million, RMB4.51 million, RMB21.15 million and RMB27.61 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts payable by our Group to the Jiangfeng Tongchuang Semiconductor Entities for the above purchases for each of the three years ending December 31, 2029 will not exceed RMB109.00 million, RMB165.00 million and RMB200.00 million, respectively. In arriving at the above proposed annual caps, our Directors have mainly considered: (i) the historical transaction amounts during the Track Record Period and the recent increase following the commencement of volume purchases: as the relevant products of the Jiangfeng Tongchuang Semiconductor Entities have progressively completed validation and moved into volume supply, our purchases have increased significantly since 2025, and the amount for the six months ended June 30, 2026 (RMB27.61 million) already exceeded that for the year ended December 31, 2025; (ii) the expected growth in our business scale and product deliveries: based on our backlog orders and overall capacity enhancement plans, the production and sales volume of our semiconductor components is expected to continue to grow over the next three years, driving a corresponding increase in demand for fluid delivery components and hardware for production, and packaging, protective materials and consumables for product delivery; (iii) the expansion of product categories and increased demand for ancillary components: as the variety and shipments of our precision components and module products requiring supporting fluid delivery hardware increase, our demand for fluid delivery components will increase accordingly; and (iv) expected fluctuations in purchase prices and raw material costs, having considered potential price adjustments of the relevant products arising from changes in upstream raw material costs during the three years ending December 31, 2029 and a reasonable buffer.

Purchase of Products from Ningbo Saipo

We purchase from Ningbo Saipo ceramic materials, including yttrium oxide and ceramic oxide powders.

Pricing policies. The purchase prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the specifications, technical indicators and quantities of the products, and the relevant oxide raw material and manufacturing costs.

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts with respect to our procurement of the above products from Ningbo Saipo were nil, nil, nil and RMB0.10 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts payable by our Group to Ningbo Saipo for the above purchases for each of the three years ending December 31, 2029 will not exceed RMB0.60 million, RMB1.00 million and RMB1.00 million, respectively. In arriving at the above proposed annual caps, our Directors have mainly considered (i) the historical transaction amounts during the Track Record Period; (ii) our Group's expected purchase demand arising from the growth of our semiconductor precision components business and our capacity expansion plans; (iii) the expected purchase prices of the relevant products, taking into account potential fluctuations in upstream ceramic raw material costs; and (iv) a reasonable buffer to accommodate increases in demand and price fluctuations.

Aggregation and annual caps

As the above purchases are similar in nature, each involving the purchase by our Group of materials, components or consumables for use in our production operations, and each counterparty is one of Dr. Yao's Associates, such purchases are aggregated pursuant to Rules 14A.81 and 14A.82 of the

Listing Rules. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of the above purchases were RMB316.08 million, RMB811.73 million, RMB1,041.45 million and RMB923.97 million, respectively.

The aggregated annual caps in respect of the above purchases for each of the three years ending December 31, 2029 are set out below:

	For the year ending December 31,		
	2027	2028	2029
		(RMB million)	
Annual caps			
Purchase of products from the TCPR Group	2,800.00	3,600.00	4,600.00
Purchase of products from the Zhejiang Scenertech Group	35.00	40.00	45.00
Purchase of products from the Jiangfeng Tongchuang Semiconductor Entities	109.00	165.00	200.00
Purchase of products from Ningbo Saipo	0.60	1.00	1.00
Total	**2,944.60**	**3,806.00**	**4,846.00**

Listing Rules implications

As the highest applicable percentage ratio under the Listing Rules in respect of the aggregated annual caps for the above purchases is expected to exceed 5% on an annual basis, such transactions will, upon the **[REDACTED]**, be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transactions

(1) Purchase of products from the TCPR Group

Ultra-high purity metal materials and high-performance metal materials are the core raw materials for our Group's manufacture of sputtering targets used in integrated circuits (such as aluminum, tantalum, copper and copper-manganese alloy targets). We purchase such materials from the TCPR Group for the following reasons: (i) supply-chain security and the cost and lead-time benefits of local sourcing: the upstream ultra-high purity metal materials for the Chinese Mainland sputtering target industry have historically been heavily dependent on imports, and the TCPR Group has developed the relevant technologies and established production capacity at scale in Chinese Mainland, so purchasing from it helps us reduce reliance on overseas supply sources, mitigate geopolitical and cross-border logistics risks, shorten procurement lead times and reduce cross-border transportation costs; (ii) security of supply given technical and customer qualification requirements: semiconductor-grade ultra-high purity metal materials are subject to strict purity and batch-to-batch consistency requirements, the number of qualified suppliers globally is limited, and each supplier and material grade must pass strict qualification by our Group (and, in certain cases, by our end wafer fab customers) before mass production, while the TCPR Group has the purification technologies and production capacity to supply, on a consistent basis, raw materials meeting the relevant qualification standards, which supports our production continuity and reduces the risk of supply disruption or quality fluctuations; (iii) commercial flexibility in purchase arrangements and pricing: we place individual purchase orders with the TCPR Group as needed according to our actual production schedules, with prices determined with reference to the then prevailing market benchmark prices, which facilitates flexible management of our inventory

and capital costs; and (iv) diversified supply channels: while maintaining our business relationship with the TCPR Group, we also maintain business relationships with qualified Independent Third Party suppliers of comparable materials, and we retain full discretion over supplier selection and the allocation of purchase volumes, without any exclusivity arrangement with the TCPR Group. Where necessary, we are able to increase purchases from such Independent Third Party suppliers within a reasonable period. Accordingly, our Group is not unduly reliant on the TCPR Group for the procurement of raw materials.

(2) Purchase of products from the Zhejiang Scenertech Group, the Jiangfeng Tongchuang Semiconductor Entities and Ningbo Saipo

We make the other purchases described above for the following reasons: (a) in providing comprehensive semiconductor precision component solutions to customers, our Group requires compatible pan-semiconductor coating equipment, materials and products and imposes requirements on their process stability, technical indicators and quality consistency, and the Zhejiang Scenertech Group, which focuses on the R&D and manufacture of pan-semiconductor coating equipment and related materials and is familiar with our technical specifications and quality standards, is able to stably supply coating equipment, materials and products meeting our specific technical requirements and quality standards and respond promptly to our purchase needs; purchasing such products from the Zhejiang Scenertech Group provides our Group with a reliable source of compatible equipment, materials and products, enabling us to expand our product offering, improve delivery efficiency and strengthen customer relationships without incurring additional capital expenditure on production lines; (b) in manufacturing semiconductor precision components, we have specific requirements for the cleanliness, airtightness, corrosion resistance and machining precision of supporting fluid delivery components and hardware, and high-purity sputtering targets and precision components also require dedicated packaging, protective materials and production consumables meeting cleanliness standards during production turnover and delivery to prevent damage or contamination; the Jiangfeng Tongchuang Semiconductor Entities focus on the R&D and manufacture of semiconductor fluid delivery components and hardware and dedicated packaging materials, are familiar with our product specifications and quality requirements, and their relevant products have passed our technical and quality validation and achieved stable volume supply; purchasing such products from them provides our Group with a reliable source of supporting components and packaging consumables, helping improve our production assembly and delivery efficiency and reduce supply-chain management costs; and (c) yttrium oxide and ceramic oxide powders are raw materials required for our production of semiconductor precision components, and Ningbo Saipo, which has R&D and production capabilities in the relevant ceramic materials and oxide powders, is able to supply ceramic materials meeting our quality requirements in accordance with our specific technical indicators and respond promptly to our orders and process changes; purchasing such ceramic materials from Ningbo Saipo helps diversify and stabilize our supply channels for special non-metallic raw materials and supports the continued development of our semiconductor precision components business.

In addition, the prices and other commercial terms of each of the above purchases were determined after arm's length negotiations between the relevant parties with reference to prevailing market prices and/or comparable terms offered by Independent Third Parties, and did not differ materially from the prices of transactions with Independent Third Parties during the Track Record Period.

(2) Sale of Products to the TCPR Group, the Zhejiang Scenertech Group and the Jiangfeng Tongchuang Semiconductor Entities

Sale of Products to the TCPR Group

We sell to the TCPR Group recyclable metal materials, comprising used targets recovered from our customers ("**Spent Targets**") and scrap materials and other materials generated in our production processes (such as tantalum, copper, aluminum and other metals and alloys).

Pricing policies. The sale prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to (i) the type, metal content and quantity of the materials sold; (ii) the prevailing benchmark prices of the relevant bulk metals (such as tantalum and copper) on international and domestic public markets (such as the London Metal Exchange, the Shanghai Futures Exchange or public platforms such as Shanghai Metals Market); and (iii) the prices at which our Group sells comparable materials of the same type and similar metal content to Independent Third Party purchasers. To ensure that the sale prices are fair and reasonable and the terms are no less favorable to us than those offered by Independent Third Parties, we apply the following category-based price verification procedures: (a) market comparison method (for materials with comparable market quotations): our business department or sales department obtains contemporaneous quotations from Independent Third Party purchasers for materials of the same type and with similar metal content (or refers to the actual transaction prices of our recent sales of comparable materials to Independent Third Party purchasers) and compares them with the TCPR Group's offer in terms of price and settlement terms; and (b) benchmark metal price conversion method (for materials without comparable market quotations): where comparable quotations cannot be obtained from Independent Third Party purchasers for specific materials, we determine a reasonable floor price for such recyclable materials based on the contemporaneous public market benchmark price of the relevant metal (or our contemporaneous benchmark purchase price for the corresponding metal raw materials), having regard to the actual metal content of the Spent Targets or scrap materials and after deducting the reasonable expected loss rate and processing costs of the subsequent purification process, and agree the final sale price with the TCPR Group through arm's length negotiations at not less than such floor price. In addition, the agreed sale prices are adjusted from time to time to reflect fluctuations in the relevant upstream bulk metal market prices.

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our sale of the above products to the TCPR Group were RMB93.54 million, RMB19.58 million, RMB129.58 million and RMB70.45 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts receivable by our Group from the TCPR Group for the above sales for each of the three years ending December 31, 2029 will not exceed RMB320.00 million, RMB420.00 million and RMB540.00 million, respectively.

In arriving at the above proposed annual caps, our Directors have mainly considered: (i) the historical transaction base and overall upward trend: our sales of recyclable metal materials to the TCPR Group have shown an overall upward trend during the Track Record Period, reaching RMB129.58 million for the year ended December 31, 2025 and RMB70.45 million for the six months ended June 30, 2026 (representing an annualized amount of over RMB140.00 million), which forms the basis for the proposed annual caps; (ii) the growth in the total volume of recyclable materials driven by the expansion of our target production and sales: the volume of scrap materials and other materials we

generate in our production processes and Spent Targets we recover from customers is directly linked to the scale of our production and sales of metal sputtering targets; and, driven by growing downstream demand in AI, advanced logic chips, advanced memory and advanced packaging, as well as the successive commencement of production and ramp-up of new production lines at our production bases in China and overseas during the three years ending December 31, 2029, our target production and sales volume is expected to continue to expand, driving a corresponding increase in the total volume of Spent Targets, scrap materials and other materials available for sale; (iii) the higher average recovery unit price driven by the upgrade of our product mix toward high-value targets for advanced process nodes: the proportion of tantalum, copper and copper-manganese alloy targets for advanced process nodes in our product mix continues to rise, and as the metals contained in such targets (in particular ultra-high purity tantalum) have a higher unit value, the Spent Targets, scrap materials and other materials they generate have a higher residual metal value, which is expected to increase the average selling price, and therefore the total value, of such sales; (iv) the increasing demand arising from recycling within the supply chain and the TCPR Group's capacity expansion: ultra-high purity metal Spent Targets, scrap materials and other materials can be recycled for metal material production after purification, and as the TCPR Group continues to expand its metal material production capacity to meet the demand of its downstream customers, its expected demand for purchasing Spent Targets, scrap materials and other materials from our Group as recycled feedstock will increase accordingly; and (v) bulk and rare metal price fluctuations and a buffer for business expansion: having considered potential fluctuations in the prices of the relevant metals (in particular tantalum and copper) in international and domestic markets and in foreign exchange rates, and a reasonable buffer reserved to support the expansion of our business over the next three years.

Sale of Products to the Zhejiang Scenertech Group

We sell to the Zhejiang Scenertech Group metal sputtering targets and metal machined parts.

Pricing policies. The sale prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the specifications, purity and material requirements, processing complexity and order quantities of the products sold.

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our sale of the above products to the Zhejiang Scenertech Group were RMB1.33 million, RMB6.92 million, RMB5.48 million and RMB0.01 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts receivable by our Group from the Zhejiang Scenertech Group for the above sales for each of the three years ending December 31, 2029 will not exceed RMB15.00 million, RMB25.00 million and RMB35.00 million, respectively. In arriving at the above proposed annual caps, our Directors have mainly considered: (i) the historical transaction amounts during the Track Record Period; (ii) the backlog orders and expected purchase demand of the Zhejiang Scenertech Group, including its demand to support the development of its own pan-semiconductor business and to supply the relevant products to its domestic and overseas customers (such as customers in the European market); (iii) the expected sale prices and potential fluctuations in raw material costs (taking into account the costs of metal raw materials such as aluminum, tantalum and copper) and in exchange rates; and (iv) a reasonable buffer to accommodate increases in demand and price fluctuations.

Sale of Products to the Jiangfeng Tongchuang Semiconductor Entities

We sell to the Jiangfeng Tongchuang Semiconductor Entities semiconductor components, including gas and other fluid delivery lines used in semiconductor equipment.

Pricing policies. The sale prices are determined on normal commercial terms after arm's length negotiations between the relevant parties, mainly with reference to the specifications, material requirements, processing and customization complexity and order quantities of the products sold, taking into account our relevant raw material and production costs and a reasonable profit margin.

Historical transaction amounts. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of our sale of the above products to the Jiangfeng Tongchuang Semiconductor Entities were nil, RMB0.002 million, RMB0.40 million and RMB0.27 million, respectively.

Annual caps. Our Directors estimate that the maximum amounts receivable by our Group from the Jiangfeng Tongchuang Semiconductor Entities for the above sales for each of the three years ending December 31, 2029 will not exceed RMB1.00 million, RMB2.00 million and RMB3.50 million, respectively. In arriving at the above proposed annual caps, our Directors have mainly considered: (i) the historical transaction amounts during the Track Record Period; (ii) the expected purchase demand of the Jiangfeng Tongchuang Semiconductor Entities: with the continued expansion of their own business and the enhancement of our precision component capacity, their demand for semiconductor components from us is expected to increase steadily; (iii) the expected sale prices and cost fluctuations, taking into account potential fluctuations in the raw material and processing costs of the relevant components; and (iv) a reasonable buffer to accommodate increases in demand and price fluctuations.

Aggregation and annual caps

As the above sales are similar in nature, each involving the sale of products or materials by our Group, and each counterparty is one of Dr. Yao's Associates, such sales are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. For each of the three years ended December 31, 2025 and the six months ended June 30, 2026, the historical transaction amounts of the above sales were RMB94.87 million, RMB26.50 million, RMB135.46 million and RMB70.73 million, respectively.

The aggregated annual caps in respect of the above sales for each of the three years ending December 31, 2029 are set out below:

	For the year ending December 31,		
	2027	2028	2029
		(RMB million)	
Annual caps			
Sale of products to the TCPR Group	320.00	420.00	540.00
Sale of products to the Zhejiang Scenertech Group	15.00	25.00	35.00
Sale of products to the Jiangfeng Tongchuang Semiconductor Entities	1.00	2.00	3.50
Total	**336.00**	**447.00**	**578.50**

Listing Rules implications

As the highest applicable percentage ratio under the Listing Rules in respect of the aggregated annual caps for the above transactions is expected to exceed 5% on an annual basis, such transactions will, upon the **[REDACTED]**, be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transactions

(1) Sale of products to the TCPR Group

In the semiconductor PVD process, typically only approximately one-third of the metal material in a sputtering target is effectively utilized, and the remaining approximately two-thirds of the high-purity metal remains in the form of Spent Targets or other recyclable materials. In line with general industry practice, we generally agree on Spent Target arrangements with downstream customers when selling new targets, and we also generate scrap materials and other materials in our own target forging, rolling and precision machining processes. Such Spent Targets, scrap materials and other materials still retain high-value metal content, and disposing of them as ordinary scrap metal would not realize their residual value. It is therefore common practice in the industry for target manufacturers to collect Spent Targets and sell them to upstream ultra-high purity metal suppliers for re-purification and recycling.

We sell the above recyclable metal materials to the TCPR Group for the following reasons: (i) realization of the residual value of high-purity metals and savings in storage and disposal costs: general metal recyclers in the market generally lack semiconductor-grade purification capabilities and can typically only process such materials at a discount as ordinary industrial metals, without reflecting their high-purity added value, whereas the TCPR Group, as a specialized ultra-high purity metal manufacturer, is familiar with the purity grades, compositional specifications and batch history of the materials we provide and is able to use them for the purification and reuse of high-purity metals; selling to the TCPR Group therefore enables our Group to realize the residual value of high-purity metals, accelerate working capital turnover and avoid the storage and management costs arising from the long-term accumulation of scrap materials; (ii) specialization within the value chain and avoidance of duplicative capital expenditure: the purification of high-purity scrap materials is an upstream process requiring dedicated facilities, whereas our core competitiveness lies in target manufacturing processes such as grain size and crystallographic orientation control, large-area dissimilar-metal welding and precision machining, and selling Spent Targets, scrap materials and other materials to the TCPR Group,

which has the relevant capacity, allows us to avoid capital expenditure on building our own upstream smelting and refining lines and to focus our resources on our core target manufacturing business; (iii) processing capacity and security of supply of recycled metals: the TCPR Group has purification facilities that can process, in batches and on an ongoing basis, the Spent Targets, scrap materials and other materials generated as our target production and sales expand. In addition, given the limited global supply and price volatility of rare metals (in particular tantalum), returning recovered high-purity metals to the TCPR Group's raw material production chain helps secure a recycled source of high-purity metal raw materials and meets downstream customers' requirements for green, low-carbon (ESG) and circular semiconductor materials; and (iv) flexible and fair transaction arrangements without exclusivity: we sell recyclable materials to the TCPR Group in batches based on the actual progress of recovery and output, without any exclusivity restrictions.

(2) Sale of products to the Zhejiang Scenertech Group and the Jiangfeng Tongchuang Semiconductor Entities

We make the sales to the Zhejiang Scenertech Group and the Jiangfeng Tongchuang Semiconductor Entities for the following reasons: (a) the Zhejiang Scenertech Group manufactures pan-semiconductor coating equipment and is expanding into domestic and overseas markets such as Europe, and coating equipment often requires compatible precision equipment parts in assembly, commissioning and delivery to end customers; selling metal sputtering targets and metal machined parts to the Zhejiang Scenertech Group enables our Group to leverage our capabilities in target manufacturing and precision machining to provide compatible consumables and metal machined parts for the relevant equipment, which helps promote the application of our metal sputtering targets among overseas customers in markets such as Europe and provides an additional source of revenue for our Group; and (b) the Jiangfeng Tongchuang Semiconductor Entities focus on semiconductor fluid delivery systems and related module businesses and have ongoing demand for dedicated piping and precision machined parts in their daily production and business expansion, and selling such semiconductor components to them enables us to make use of our precision machining capabilities and capacity and to improve the utilization of our existing production lines.

In addition, the prices and other commercial terms of each of the above sales were determined after arm's length negotiations between the relevant parties with reference to prevailing market prices and/or comparable terms offered by Independent Third Parties, and did not differ materially from the prices of transactions with Independent Third Parties during the Track Record Period.

ONE-OFF CONNECTED TRANSACTIONS

During the Track Record Period, our Group leased certain properties from the TCPR Group, the Jiangfeng Tongchuang Technology Group, the Zhejiang Scenertech Group and Yangming Research Institute. As we have recognized right-of-use assets in respect of these leases under IFRS 16, each lease is regarded as a one-off acquisition of a capital asset entered into before the **[REDACTED]**, and is therefore not subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, during the Track Record Period, our Group entered into certain other non-recurring transactions with our connected persons, such as the purchase or sale of equipment and other assets and the provision or receipt of one-off services. As such non-recurring transactions were completed before the **[REDACTED]**, they will not constitute our connected transactions under Chapter 14A of the Listing Rules upon the **[REDACTED]**. For details of our related party transactions during the Track

Record Period, see Note 42 to the Accountants' Report as set out in Appendix I to this document. We may enter into similar transactions with our connected persons after the **[REDACTED]** as our business needs require, in which case we will comply with the applicable requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described in "— Partially-exempt Continuing Connected Transactions" and "— Non-exempt Continuing Connected Transactions" in this section constitute our continuing connected transactions under the Listing Rules upon the **[REDACTED]**. As such transactions are expected to continue on a recurring and continuing basis, our Directors consider that strict compliance with the announcement and/or circular and independent Shareholders' approval requirements would be impractical, would result in unnecessary administrative costs for us, and would be unduly burdensome to our Group.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], waivers exempting us from strict compliance with (i) the announcement requirement in respect of the continuing connected transactions described in "— Partially-exempt Continuing Connected Transactions" above; and (ii) the announcement, circular and independent Shareholders' approval requirements in respect of the continuing connected transactions described in "— Non-exempt Continuing Connected Transactions" above, subject to the condition that the aggregate amounts of the continuing connected transactions for each of the three years ending December 31, 2029 shall not exceed the relevant annual caps set forth above.

Apart from the above waivers, we will comply with the relevant requirements under Chapter 14A of the Listing Rules. In the event of any future amendments to the Listing Rules on the continuing connected transactions referred to in this section, we will take steps to ensure compliance with such new requirements within a reasonable time.

INTERNAL CONTROL MEASURES

To ensure that the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies and the annual caps described above, we have adopted the following internal control measures: (i) our finance department will monitor the transaction amounts of each category of continuing connected transactions on a monthly basis and will promptly report to our management where the actual amount is close to the relevant annual cap, so that we can take timely steps to comply with the applicable requirements under Chapter 14A of the Listing Rules; (ii) the relevant business department will obtain quotations from Independent Third Parties for comparable products or services (where applicable) and retain written records of such comparison for review; (iii) our independent non-executive Directors will review the continuing connected transactions annually and confirm in our annual report whether they have been entered into in the ordinary and usual course of business, on normal commercial terms and in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of our Shareholders as a whole, pursuant to Rule 14A.55 of the Listing Rules; (iv) our auditor will report annually on the continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules; and (v) any Director who has a material interest in a transaction will abstain from voting on the relevant board resolution.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in "— Partially-exempt Continuing Connected Transactions" and "— Non-exempt Continuing Connected Transactions" above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor has reviewed the relevant information and historical amounts prepared and provided by the Company relating to the continuing connected transactions described in "— Partially-exempt Continuing Connected Transactions" and "— Non-exempt Continuing Connected Transactions" in this section, obtained necessary representations and confirmations from the Company and its Directors, discussed with Frost & Sullivan regarding the industry-related information concerning such continuing connected transactions, and participated in due diligence with the management of the Company. Based on the above and having taken into account the view of the Directors, the Sole Sponsor is of the view that such continuing connected transactions, for which waivers have been sought, have been and will be carried out in the ordinary and usual course of business of the Company and on normal commercial terms or better, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In respect of the Energy Management Agreement, the Sole Sponsor is of the view that a duration longer than three years is required for the Energy Management Agreement and that it is normal business practice for agreements of this type to be of such duration, as required by Rule 14A.52 of the Listing Rules.

You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, included in the Accountants' Report as set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this document, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this document.

OVERVIEW

We are a global innovator and platform focused on core materials and critical components for the semiconductor industry. According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025, with a global market share of 10.3% in 2025. Over two decades in ultra-high purity metal sputtering targets, we have built three platform-based capabilities, namely materials, equipment and processes, which we have extended into semiconductor precision components. We offer customers across the global semiconductor industry a comprehensive product mix that covers ultra-high purity metal sputtering targets and semiconductor precision components. According to Frost & Sullivan, in 2025, we ranked third among domestic suppliers in China's semiconductor precision components market by revenue, with a market share of 1.4%.

In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our revenue amounted to RMB2,601.6 million, RMB3,605.0 million, RMB4,604.1 million, RMB2,094.7 million and RMB2,737.3 million, respectively, representing a CAGR of 33.0% from 2023 to 2025, and our gross profit amounted to RMB682.9 million, RMB888.3 million, RMB1,132.6 million, RMB537.5 million and RMB677.4 million, respectively. Over the same periods, our profit for the year/period was RMB217.2 million, RMB299.2 million, RMB441.4 million, RMB254.9 million and RMB452.4 million, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**"). The IASB has issued a number of new and revised IFRSs. For the purpose of preparing our historical financial information, we have consistently adopted all applicable new and revised IFRSs that are effective for accounting periods commencing on or after January 1, 2026, unless otherwise stated. These standards, amendments or interpretations are not expected to have a material impact on us in the current or future reporting periods and on foreseeable future transactions, except for the new IFRS 18 as set out in note 3 to the Accountants' Report as set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Capture Growth in the Semiconductor Materials and Components Market

As a global innovator and platform focused on core materials and critical components for the semiconductor industry, our results of operations depend on the continuous development of the global semiconductor industry. Advanced semiconductor chip development in the AI era is driving growth in the ultra-high purity metal sputtering target and semiconductor precision component markets. According to Frost & Sullivan, the global ultra-high purity metal sputtering target market grew from RMB19.3 billion in 2021 to RMB27.7 billion in 2025, and is expected to further reach RMB60.0 billion in 2030, at a CAGR of 16.0% from 2026 to 2030, while China's semiconductor precision components market grew from RMB32.8 billion in 2021 to RMB74.0 billion in 2025, and is expected to further reach RMB166.4 billion in 2030, at a CAGR of 16.8% from 2026 to 2030.

We seek to seize the opportunities presented by the continued expansion of the global semiconductor materials and components market by leveraging our premium product quality, broad customer base, strong brand recognition, diversified product portfolio and advanced technologies supported by proprietary core equipment. We focus on both domestic and international markets to establish a solid foundation for improving our operational performance. According to Frost & Sullivan, we ranked second globally among suppliers of ultra-high purity metal sputtering targets in terms of revenue for four consecutive years from 2022 to 2025, with a global market share of 10.3% in 2025, and our share of the global market for ultra-high purity metal sputtering targets used in semiconductor chips was 14.9% in 2025. We ranked third among domestic suppliers in China's semiconductor precision components market in terms of revenue in 2025, with a market share of 1.4%, according to the same source. Given our leading market position, we believe we are resilient against changes in macroeconomic conditions and are well positioned to capture the most attractive growth opportunities in the semiconductor materials and components markets globally.

Our Ability to Obtain and Maintain Customer Qualification and Fulfill Customer Orders

Our results of operations are affected by our ability to obtain and maintain customer qualifications and to secure continued orders from our qualified customers. Our downstream customers, particularly international wafer foundries and integrated device manufacturers ("**IDMs**"), maintain stringent qualification processes, and for a new sputtering target product, qualification typically involves a multi-year evaluation covering purity, dimensions, grain structure, surface condition, process performance and manufacturing-site audits. Once a product is qualified, we generally supply it in accordance with the customer's approved specifications and processes. Since changing an approved supplier requires renewed testing, process adjustment and customer re-approval, our qualified positions have historically translated into continued orders over the product cycle. Our targets are customized to customer equipment and process requirements, giving our production its multi-variety, small-batch and build-to-order character, and because they are consumable and replaced periodically during customer production, they generate recurring demand from our qualified customer base.

Our semiconductor precision components are assembled into customers' production equipment and production lines, where they affect wafer manufacturing yield and the stability of equipment operation, so new components require technical development and customer validation and orders typically ramp up only after qualification. Our customer-proximate production layout allows us to participate early in specification definition, sample trial production and matching validation for new tool models, completing technical matching before equipment is introduced and shortening qualification timelines.

Because many of these components are consumed during equipment operation and require periodic replacement, they generate first-fit demand from equipment manufacturers for newly installed tools and replacement demand from wafer foundries during production-line maintenance, with higher wafer foundry utilization tending to shorten replacement cycles. Accordingly, our results of operations are affected by the pace at which new products complete qualification, the volume and timing of orders from our qualified customers, and the utilization levels of our customers' production lines.

Our Technological Innovation and New Product Development

Our R&D system focuses on materials, equipment and processes. Our core technical team comprises doctorate holders, specialists and senior industry professionals with backgrounds in metallic materials and integrated circuit manufacturing. We have developed six foundational technologies, namely advanced material microstructure and performance control, ultra-precision manufacturing and inspection, specialized welding and joining, ultra-clean surface cleaning, surface modification and engineering, and microsystem control unit technologies. Our ability to continuously develop new products through technological innovation is important to our business. We pursue both forward-looking research and development into new materials and processes and customer-oriented product development, while continuing to enhance the technical specifications and performance of our existing products. We expect to continue investing significant resources in R&D to maintain our technological leadership, and the level and effectiveness of such investments may impact our future competitiveness and operating performance.

Our Ability to Control Our Cost of Sales and Operating Expenses

Our ability to maintain profitability partially depends on our ability to control our cost of sales and operating expenses. During the Track Record Period, our cost of sales primarily consisted of material costs. Our raw materials primarily include high-purity metals, other metal materials, non-metal materials, components and auxiliary parts. During the Track Record Period, we adopted a multi-faceted strategy to manage cost of sales, including: (i) order-driven procurement and inventory optimization, (ii) strategic supplier relationships and supply chain localization, and (iii) strategic investment in intelligent manufacturing systems including automated production lines, smart warehousing and digital lifecycle management at our production facilities.

Our operating expenses include administrative expenses, R&D expenses and selling expenses. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our total operating expenses amounted to RMB489.2 million, RMB607.2 million, RMB714.7 million, RMB318.1 million and RMB398.8 million, respectively, representing 18.8%, 16.8%, 15.5%, 15.2% and 14.6% of our revenue for the respective periods. The decrease in our operating expense ratio was primarily because our revenue grew faster than our operating expenses, which are largely fixed in nature. Our ongoing digital transformation and adoption of intelligent manufacturing tools also supported operational efficiency. Our ability to continue improving operational efficiency and maintaining effective cost control will be important to sustaining our results of operations as we invest in capacity expansion and new product development.

MATERIAL AND SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty

about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Our material accounting policies and critical accounting judgments and estimates are set forth in detail in notes 4 and 5 to the Accountants' Report as set out in Appendix I to this document.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years/periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(Unaudited)			
Revenue	2,601,609	100.0	3,604,963	100.0	4,604,101	100.0	2,094,692	100.0	2,737,310	100.0
Cost of sales	(1,918,740)	(73.8)	(2,716,658)	(75.4)	(3,471,476)	(75.4)	(1,557,157)	(74.3)	(2,059,887)	(75.3)
Gross profit	**682,869**	**26.2**	**888,305**	**24.6**	**1,132,625**	**24.6**	**537,535**	**25.7**	**677,423**	**24.7**
Other income	39,592	1.5	66,894	1.9	109,885	2.4	39,513	1.9	37,811	1.4
Other gains/(losses), net	95,852	3.7	127,091	3.5	120,125	2.6	91,096	4.3	274,455	10.0
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	(17,147)	(0.7)	(26,808)	(0.7)	(11,273)	(0.2)	(2,193)	(0.1)	(22,323)	(0.8)
Selling expenses	(87,620)	(3.4)	(114,619)	(3.2)	(132,290)	(2.9)	(57,247)	(2.7)	(64,057)	(2.3)
Administrative expenses	(229,795)	(8.8)	(275,291)	(7.6)	(320,346)	(7.0)	(141,865)	(6.8)	(175,792)	(6.4)
Research and development expenses	(171,765)	(6.6)	(217,290)	(6.0)	(262,053)	(5.7)	(118,987)	(5.7)	(158,955)	(5.8)
Operating profit	**311,986**	**12.0**	**448,282**	**12.4**	**636,673**	**13.8**	**347,852**	**16.6**	**568,562**	**20.8**
Finance income	25,207	1.0	20,416	0.6	20,803	0.5	9,521	0.5	10,693	0.4
Finance costs	(27,715)	(1.1)	(53,717)	(1.5)	(84,214)	(1.8)	(40,179)	(1.9)	(54,231)	(2.0)
Finance costs, net	**(2,508)**	**(0.1)**	**(33,301)**	**(0.9)**	**(63,411)**	**(1.4)**	**(30,658)**	**(1.5)**	**(43,538)**	**(1.6)**
Share of (loss)/profit of associates, net	(23,217)	(0.9)	(7,711)	(0.2)	7,314	0.2	(1,722)	(0.1)	33,859	1.2
Profit before income tax	**286,261**	**11.0**	**407,270**	**11.3**	**580,576**	**12.6**	**315,472**	**15.1**	**558,883**	**20.4**
Income tax expense	(69,029)	(2.7)	(108,057)	(3.0)	(139,167)	(3.0)	(60,549)	(2.9)	(106,436)	(3.9)
Profit for the year/period	**217,232**	**8.3**	**299,213**	**8.3**	**441,409**	**9.6**	**254,923**	**12.2**	**452,447**	**16.5**
Profit for the year/period attributable to:										
Owners of the Company	252,270	9.7	426,099	11.8	526,612	11.4	274,742	13.1	519,744	19.0
Non-controlling interests	(35,038)	(1.3)	(126,886)	(3.5)	(85,203)	(1.9)	(19,819)	(0.9)	(67,297)	(2.5)

Revenue

During the Track Record Period, we mainly derived our revenue from sales of (i) ultra-high purity metal sputtering targets, and (ii) semiconductor precision components. We also generated revenue from other businesses, primarily including sales of spent targets, scrap materials and other materials, as well as provision of technical and cleaning services. The following table sets forth the breakdown of our revenue by business lines, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Ultra-high purity metal sputtering targets	1,672,566	64.3	2,333,453	64.7	2,849,933	61.9	1,325,137	63.3	1,670,744	61.0
Semiconductor precision components	570,121	21.9	886,702	24.6	1,083,879	23.5	458,794	21.9	645,038	23.6
Other businesses	358,922	13.8	384,808	10.7	670,289	14.6	310,761	14.8	421,528	15.4
Total	**2,601,609**	**100.0**	**3,604,963**	**100.0**	**4,604,101**	**100.0**	**2,094,692**	**100.0**	**2,737,310**	**100.0**

During the Track Record Period, we generated revenue from both Chinese Mainland and outside Chinese Mainland, primarily including Taiwan, South Korea and Japan. The following table sets forth the breakdown of our revenue by the location where the services were provided or the goods were delivered, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Chinese Mainland[(1)]	1,457,245	56.0	2,159,508	59.9	3,035,623	65.9	1,347,449	64.3	1,933,221	70.6
Outside Chinese Mainland	1,144,364	44.0	1,445,455	40.1	1,568,478	34.1	747,243	35.7	804,089	29.4
Total	**2,601,609**	**100.0**	**3,604,963**	**100.0**	**4,604,101**	**100.0**	**2,094,692**	**100.0**	**2,737,310**	**100.0**

Note:

(1) Excluding special supervision territory.

During the Track Record Period, the absolute amount of our revenue generated from outside Chinese Mainland continued to increase. However, revenue from outside Chinese Mainland as a percentage of our total revenue decreased, primarily because our semiconductor precision components business, which primarily operated in Chinese Mainland during the same period, experienced rapid growth. The decline in such percentage does not reflect a contraction of our overseas business, but rather the rapid expansion of our semiconductor precision components business as our second growth engine.

Cost of Sales

During the Track Record Period, our cost of sales mainly consisted of (i) material costs, (ii) manufacturing overhead, (iii) labor costs, and (iv) depreciation. The following table sets forth the breakdown of our cost of sales by nature, both in absolute amounts and as percentages of total cost of sales, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Material costs	1,280,210	66.7	1,788,287	65.8	2,356,572	67.9	1,031,291	66.2	1,403,409	68.1
Manufacturing overhead	470,594	24.6	700,507	25.8	788,333	22.7	385,816	24.8	496,198	24.1
Labor costs	119,109	6.2	160,051	5.9	229,690	6.6	96,211	6.2	106,014	5.2
Depreciation	48,827	2.5	67,813	2.5	96,881	2.8	43,839	2.8	54,266	2.6
Total	**1,918,740**	**100.0**	**2,716,658**	**100.0**	**3,471,476**	**100.0**	**1,557,157**	**100.0**	**2,059,887**	**100.0**

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by business lines for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Ultra-high purity metal sputtering targets	441,669	26.4	667,990	28.6	945,941	33.2	408,523	30.8	489,398	29.3
Semiconductor precision components	132,558	23.3	164,847	18.6	88,921	8.2	64,163	14.0	76,524	11.9
Other businesses	108,642	30.3	55,468	14.4	97,763	14.6	64,849	20.9	111,501	26.5
Total gross profit/Overall gross profit margin	**682,869**	**26.2**	**888,305**	**24.6**	**1,132,625**	**24.6**	**537,535**	**25.7**	**677,423**	**24.7**

Our overall gross profit margin decreased slightly during the Track Record Period, primarily because our ultra-high purity metal sputtering targets business and semiconductor precision components business were at different stages of development, combined with changes in the relative revenue contribution of our three business lines.

The gross profit margin of our ultra-high purity metal sputtering targets business generally increased during the Track Record Period, driven by improved production efficiency and a growing sales contribution from products with higher technical requirements.

Our semiconductor precision components business was at a stage of rapid development, with its gross profit margin generally decreasing during the Track Record Period. This was primarily because (i) our product mix continued to diversify, and we introduced a number of new products that were at an early stage of commercialization; (ii) we incurred more depreciation and staff costs as a result of our capacity expansion, while our production volumes were still ramping up; and (iii) the pricing of certain products was affected by intensifying market competition. Although this business line recorded relatively lower gross profit margins at this stage, it further enriches our product portfolio and strengthens our platform-based capability to provide comprehensive product mix, which helps us attract new customers and secure continued follow-on orders from existing and new customers alike.

The gross profit margin of our other businesses fluctuated during the Track Record Period, primarily reflecting changes in the revenue mix among business activities with different margin profiles.

Other Income

During the Track Record Period, our other income primarily consisted of (i) government grants, mainly representing incentives and subsidies provided by local authorities for our acquisition of plant and equipment and to encourage our R&D projects, (ii) additional deduction for value-added tax ("**VAT**"), representing additional VAT deduction based on deductible input VAT for eligible enterprises, (iii) dividend income, mainly representing dividends received from our equity investments, and (iv) others, mainly representing refunds of handling fees for withholding individual income tax. The following table sets forth a breakdown of our other income for the years/periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
			RMB'000		
				(Unaudited)	
Government grants	38,740	31,478	52,011	22,801	19,410
Additional deduction for VAT	—	35,016	57,745	16,641	18,233
Dividend income	800	391	32	12	—
Others	52	9	97	59	168
Total	**39,592**	**66,894**	**109,885**	**39,513**	**37,811**

Other Gains/(Losses), Net

During the Track Record Period, our net other gains primarily included (i) gain on remeasurement of previously held equity interest in associates, (ii) gain on disposal and deemed disposal of investments in associates, (iii) change in fair value of financial assets at FVTPL, (iv) gain on disposal of subsidiaries, (v) net exchange gains/(losses), and (vi) others, primarily including net gain or loss on disposal of property, plant and equipment and intangible assets. The following table sets forth a breakdown of our net other gains for the years/periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
			RMB'000		
				(Unaudited)	
Gain on remeasurement of previously held equity interest in associates	5,760	—	—	—	142,464
Gain on disposal and deemed disposal of investments in associates	38,484	25,535	102,193	96,654	69,085
Change in fair value of financial assets at FVTPL	27,854	37,650	35,067	(5,641)	61,602
Gain on disposal of subsidiaries	3,575	45,295	—	—	31,018
Exchange gains/(losses), net	19,987	19,017	(16,092)	83	(29,870)
Others	192	(406)	(1,043)	—	156
Total	95,852	127,091	120,125	91,096	274,455

Impairment Losses under ECL Model, Net of Reversal

During the Track Record Period, we incurred impairment losses under ECL model, primarily representing provisions for expected credit loss on our trade receivables and deposits and other receivables. Our impairment losses, net of reversal, amounted to RMB17.1 million, RMB26.8 million, RMB11.3 million, RMB2.2 million and RMB22.3 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

Selling Expenses

During the Track Record Period, our selling expenses primarily consisted of (i) sales commission and service expenses, representing those paid to sales agents, mainly to facilitate our sales and after-sales activities in overseas markets, and provide sales-related market information and advisory support, (ii) staff costs, (iii) advertising and promotion expenses, (iv) business development expenses, (v) warehousing expenses, (vi) travel expenses, and (vii) others, mainly including office expenses and depreciation. The following table sets forth the breakdown of our selling expenses, in absolute amounts and as percentages of total selling expenses, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Sales commission and service expenses	36,973	42.2	48,845	42.6	55,228	41.7	25,167	44.0	27,874	43.5
Staff costs	19,890	22.7	29,181	25.5	35,200	26.6	16,265	28.4	19,455	30.4
Advertising and promotion expenses	5,020	5.7	3,551	3.1	6,273	4.7	4,160	7.3	4,919	7.7
Business development expenses	12,595	14.4	14,048	12.3	15,285	11.6	5,043	8.8	4,914	7.7
Warehousing expenses	4,418	5.0	5,208	4.5	6,440	4.9	2,477	4.3	3,300	5.2
Travel expenses	5,330	6.1	6,961	6.1	7,196	5.4	2,264	4.0	2,233	3.5
Others	3,394	3.9	6,825	5.9	6,668	5.0	1,871	3.3	1,362	2.1
Total	**87,620**	**100.0**	**114,619**	**100.0**	**132,290**	**100.0**	**57,247**	**100.0**	**64,057**	**100.0**

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs, (ii) depreciation and amortization, (iii) office and premises expenses, (iv) professional service fees, mainly in relation to legal and audit services, (v) business development expenses, (vi) travel and vehicle expenses, and (vii) others, mainly including donations and bank charges. The following table sets forth the breakdown of our administrative expenses, in absolute amounts and as percentages of total administrative expenses, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Staff costs	135,851	59.1	160,740	58.4	172,119	53.7	79,904	56.3	91,750	52.2
Depreciation and amortization	45,650	19.9	55,196	20.0	61,441	19.2	18,844	13.3	40,604	23.1
Office and premises expenses	12,845	5.6	19,816	7.2	27,636	8.6	16,106	11.4	17,831	10.1
Professional service fees	12,873	5.6	16,107	5.9	20,690	6.5	7,973	5.6	9,000	5.1
Business development expenses	11,065	4.8	11,342	4.1	20,367	6.4	7,929	5.6	7,271	4.1
Travel and vehicle expenses	4,794	2.1	6,586	2.4	6,278	2.0	2,117	1.5	2,510	1.4
Others	6,717	2.9	5,504	2.0	11,815	3.7	8,992	6.3	6,826	3.9
Total	**229,795**	**100.0**	**275,291**	**100.0**	**320,346**	**100.0**	**141,865**	**100.0**	**175,792**	**100.0**

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) materials and consumables, (ii) staff costs, (iii) depreciation and amortization, (iv) utilities, and (v) others, mainly including IP fees, testing fees and processing fees. The following table sets forth the breakdown of our research and development expenses, in absolute amounts and as percentages of total research and development expenses, for the years/periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Materials and consumables	88,188	51.3	114,655	52.8	134,550	51.4	62,717	52.7	83,968	52.8
Staff costs	54,633	31.8	68,731	31.6	86,824	33.1	38,953	32.7	54,040	34.0
Depreciation and amortization	11,649	6.8	13,706	6.3	20,820	7.9	8,681	7.3	11,721	7.4
Utilities	9,615	5.6	13,005	6.0	10,759	4.1	5,417	4.6	4,934	3.1
Others	7,680	4.5	7,193	3.3	9,100	3.5	3,219	2.7	4,292	2.7
Total	**171,765**	**100.0**	**217,290**	**100.0**	**262,053**	**100.0**	**118,987**	**100.0**	**158,955**	**100.0**

Finance Income

During the Track Record Period, all of our finance income represented bank interest income. We recorded finance income of RMB25.2 million, RMB20.4 million, RMB20.8 million, RMB9.5 million and RMB10.7 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

Finance Costs

During the Track Record Period, our finance costs primarily represented interest expenses on borrowings and lease liabilities. We recorded finance costs of RMB27.7 million, RMB53.7 million, RMB84.2 million, RMB40.2 million and RMB54.2 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

Share of (Loss)/Profit of Associates, Net

During the Track Record Period, our net share of loss or profit of associates represented our share of profit or loss from long-term investments in associates. We recorded net share of loss of associates of RMB23.2 million and RMB7.7 million in 2023 and 2024, respectively, and net share of profit of associates of RMB7.3 million in 2025. For the six months ended June 30, 2025, we recorded a net share of loss of associates of RMB1.7 million, compared with a net share of profit of associates of RMB33.9 million for the six months ended June 30, 2026. For details of the associates we invested in during the Track Record Period, see note 17 to the Accountants' Report as set out in Appendix I to this document.

Income Tax Expense

During the Track Record Period, our income tax expense primarily consisted of current income tax and deferred income tax. We recorded income tax expense of RMB69.0 million, RMB108.1 million, RMB139.2 million, RMB60.5 million and RMB106.4 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

During the Track Record Period, certain entities within our Group enjoyed preferential tax treatments. Under the EIT Law and the Implementation Regulations of the EIT Law, the standard EIT rate for PRC enterprises is 25%. Our Company and certain of our PRC subsidiaries recognized as "High and New Technology Enterprises" by the relevant government authorities were entitled to a preferential EIT rate of 15%. Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. For details, see note 14 to the Accountants' Report as set out in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

Our revenue increased by 30.7% from RMB2,094.7 million for the six months ended June 30, 2025 to RMB2,737.3 million for the six months ended June 30, 2026. The increase was primarily attributable to the increased sales of our ultra-high purity metal sputtering targets and semiconductor precision components. According to Frost & Sullivan, sustained demand for advanced semiconductor chips drove continued expansion of downstream wafer manufacturing capacity. Against this backdrop, we continued to increase our market share in sputtering target products used in wafer fabrication. The continued ramp-up in sales volume of our semiconductor precision components, such as showerheads, vacuum valves and heaters, also contributed to our revenue growth.

Our revenue generated from sales of ultra-high purity metal sputtering targets increased by 26.1% from RMB1,325.1 million for the six months ended June 30, 2025 to RMB1,670.7 million for the six months ended June 30, 2026. Such increase was primarily driven by increased sales volume, supported by a shift in product mix toward higher-value products used in advanced semiconductor chip manufacturing, including tantalum, copper and tungsten targets. As semiconductor chips continue to advance toward more advanced process, the number of stacking layers increases, resulting in significantly higher sputtering target consumption per chip and driving growth in our sales volume.

Our revenue generated from sales of semiconductor precision components increased by 40.6% from RMB458.8 million for the six months ended June 30, 2025 to RMB645.0 million for the six months ended June 30, 2026. Such increase was primarily attributable to the increased sales volume of our products sold to downstream wafer foundries, IDMs and semiconductor equipment manufacturers, driven by the continued expansion of wafer manufacturing capacity.

Our revenue from other businesses increased by 35.6% from RMB310.8 million for the six months ended June 30, 2025 to RMB421.5 million for the six months ended June 30, 2026. The increase was primarily attributable to the increased sales of spent targets and scrap materials, in line with the growth in our sales volume and our customers' consumption of sputtering targets.

Cost of Sales

Our cost of sales increased by 32.3% from RMB1,557.2 million for the six months ended June 30, 2025 to RMB2,059.9 million for the six months ended June 30, 2026, primarily due to the increase in material costs driven by higher production volume, which was in line with the expansion of our business.

Gross Profit and Gross Profit Margin

Our gross profit increased by 26.0% from RMB537.5 million for the six months ended June 30, 2025 to RMB677.4 million for the six months ended June 30, 2026, largely in line with our revenue growth.

Our overall gross profit margin decreased from 25.7% for the six months ended June 30, 2025 to 24.7% for the six months ended June 30, 2026, primarily due to decreases in the gross profit margins of our ultra-high purity metal sputtering targets business and semiconductor precision components business, partially offset by an increase in the gross profit margin of our other businesses. Our gross profit margin for ultra-high purity metal sputtering targets decreased from 30.8% for the six months ended June 30, 2025 to 29.3% for the six months ended June 30, 2026, primarily because of an increase in the purchase prices of ultra-high purity metals across the industry, despite increases in our revenue and gross profit from this business line. Our gross profit margin for semiconductor precision components decreased from 14.0% for the six months ended June 30, 2025 to 11.9% for the six months ended June 30, 2026, primarily because the external competitive pressure we experienced in the second half of 2025 continued into the first half of 2026. The gross profit margin of our other businesses increased from 20.9% for the six months ended June 30, 2025 to 26.5% for the six months ended June 30, 2026, primarily due to a favorable shift in product mix, as we experienced sales growth in higher-margin spent targets and scrap materials. This was mainly attributable to a timing difference between the determination of spent-target recovery prices and the determination of the selling prices of the recovered materials. The former is agreed when the original target is sold and is not subsequently adjusted, while the latter is affected by prevailing metal market prices, which rose during the period.

Other Income

Our other income remained relatively stable at RMB39.5 million for the six months ended June 30, 2025 and RMB37.8 million for the six months ended June 30, 2026.

Other Gains, Net

Our net other gains increased significantly from RMB91.1 million for the six months ended June 30, 2025 to RMB274.5 million for the six months ended June 30, 2026, primarily due to (i) a gain on remeasurement of previously held equity interest in associates of RMB142.5 million for the six months ended June 30, 2026, compared with nil for the six months ended June 30, 2025; (ii) an increase of RMB67.2 million in change in fair value of financial assets at FVTPL, resulting from the fair value adjustment based on the share price of the relevant equity investments; and (iii) a gain on disposal of subsidiaries of RMB31.0 million for the six months ended June 30, 2026, compared with nil for the six months ended June 30, 2025.

Impairment Losses under ECL Model, Net of Reversal

Our impairment losses under ECL model increased from RMB2.2 million for the six months ended June 30, 2025 to RMB22.3 million for the six months ended June 30, 2026, primarily due to an increase in impairment losses on trade receivables, resulting from the expected credit loss provision assessed on an aging basis.

Selling Expenses

Our selling expenses increased by 11.9% from RMB57.2 million for the six months ended June 30, 2025 to RMB64.1 million for the six months ended June 30, 2026, primarily due to (i) an increase of RMB3.2 million in staff costs, primarily driven by growth in both the number of sales personnel and their average salary and bonus levels; and (ii) an increase of RMB2.7 million in sales commission and service expenses along with our revenue growth.

Administrative Expenses

Our administrative expenses increased by 23.9% from RMB141.9 million for the six months ended June 30, 2025 to RMB175.8 million for the six months ended June 30, 2026, primarily due to (i) an increase of RMB21.8 million in depreciation and amortization, primarily attributable to the commencement of depreciation on certain buildings and facilities following their completion and transfer from construction in progress to fixed assets, and (ii) an increase of RMB11.8 million in staff costs, as the continued expansion of our operations led to an increase in the number of our administrative and management personnel.

Research and Development Expenses

Our research and development expenses increased by 33.6% from RMB119.0 million for the six months ended June 30, 2025 to RMB159.0 million for the six months ended June 30, 2026, primarily due to an increase of RMB21.3 million in materials and consumables and an increase of RMB15.1 million in staff costs, as we continued to increase our investment in research and development to strengthen our capabilities in frontier technologies and products.

Finance Income

Our finance income increased by 12.3% from RMB9.5 million for the six months ended June 30, 2025 to RMB10.7 million for the six months ended June 30, 2026, primarily due to an increase in bank interest income resulting from an increase in our cash and bank balances.

Finance Costs

Our finance costs increased by 35.0% from RMB40.2 million for the six months ended June 30, 2025 to RMB54.2 million for the six months ended June 30, 2026, primarily due to higher interest expenses from increased borrowings.

Share of (Loss)/Profit of Associates, Net

Our net share of loss or profit of associates changed from a net share of loss of RMB1.7 million for the six months ended June 30, 2025 to a net share of profit of RMB33.9 million for the six months ended June 30, 2026, primarily due to the improved performance of certain associates.

Income Tax Expense

Our income tax expense increased from RMB60.5 million for the six months ended June 30, 2025 to RMB106.4 million for the six months ended June 30, 2026, primarily due to an increase in deferred tax expenses.

Profit for the Period

As a result of the foregoing, we recorded net profit of RMB254.9 million and RMB452.4 million for the six months ended June 30, 2025 and 2026, respectively.

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased by 27.7% from RMB3,605.0 million in 2024 to RMB4,604.1 million in 2025, primarily attributable to the increased sales of our ultra-high purity metal sputtering targets and semiconductor precision components.

Our revenue generated from sales of ultra-high purity metal sputtering targets increased by 22.1% from RMB2,333.5 million in 2024 to RMB2,849.9 million in 2025, primarily attributable to increased customer demand amid the continued expansion of downstream wafer manufacturing capacity, which was in turn driven by growing demand for advanced semiconductor chips. In particular, revenue from our tantalum and titanium targets, which are the barrier-layer thin-film materials most commonly used in semiconductor chips, increased significantly during this period.

Our revenue generated from sales of semiconductor precision components increased by 22.2% from RMB886.7 million in 2024 to RMB1,083.9 million in 2025, primarily driven by higher sales volume of our products sold to our customers. This growth reflected the same downstream trends that supported our sputtering targets business, as our customers continued to expand their manufacturing capacity during the period.

Our revenue from other businesses increased by 74.2% from RMB384.8 million in 2024 to RMB670.3 million in 2025. The increase was primarily attributable to the increased sales of spent targets and scrap materials, in line with the growth in our sales volume and our customers' consumption of sputtering targets.

Cost of Sales

Our cost of sales increased by 27.8% from RMB2,716.7 million in 2024 to RMB3,471.5 million in 2025, primarily due to the increase in material costs driven by higher production volume, which was in line with the expansion of our business.

Gross Profit and Gross Profit Margin

Our gross profit increased by 27.5% from RMB888.3 million in 2024 to RMB1,132.6 million in 2025, largely in line with our revenue growth.

Our overall gross profit margin remained stable at 24.6% in both 2024 and 2025. Our gross profit margin for ultra-high purity metal sputtering targets increased from 28.6% in 2024 to 33.2% in 2025, primarily attributable to (i) an increased revenue contribution from products with relatively higher gross profit margins, such as targets for advanced processes, and (ii) our enhanced control over raw material procurement costs. Our gross profit margin for semiconductor precision components decreased from 18.6% in 2024 to 8.2% in 2025, primarily because (i) our product mix continued to diversify, and we introduced a number of new products that were at an early stage of commercialization, which carried higher per-unit costs and correspondingly lower gross profit margins before economies of scale were achieved, (ii) we incurred more depreciation and staff costs as a result of our capacity expansion, while our production volumes were still ramping up, and (iii) the pricing of certain products was affected by intensifying market competition during the second half of 2025. The gross profit margin of our other businesses remained relatively stable at 14.4% in 2024 and 14.6% in 2025.

Other Income

Our other income increased by 64.3% from RMB66.9 million in 2024 to RMB109.9 million in 2025, primarily due to (i) an increase of RMB22.7 million in additional deduction for VAT primarily attributable to more entities within our Group becoming eligible for additional VAT deduction and higher deductible input VAT arising from increased purchases as our business expanded; and (ii) an increase of RMB20.5 million in government grants.

Other Gains, Net

Our net other gains remained relatively stable at RMB127.1 million in 2024 and RMB120.1 million in 2025.

Impairment Losses under ECL Model, Net of Reversal

Our impairment losses under ECL model decreased from RMB26.8 million in 2024 to RMB11.3 million in 2025, primarily due to a decrease in impairment losses on trade receivables, resulting from the expected credit loss provision assessed on an aging basis.

Selling Expenses

Our selling expenses increased by 15.4% from RMB114.6 million in 2024 to RMB132.3 million in 2025, primarily due to (i) an increase of RMB6.4 million in sales commission and service expenses along with our revenue growth; and (ii) an increase of RMB6.0 million in staff costs, primarily driven by growth in both the number of sales personnel and their average salary and bonus levels.

Administrative Expenses

Our administrative expenses increased by 16.4% from RMB275.3 million in 2024 to RMB320.3 million in 2025, primarily due to (i) an increase of RMB11.4 million in staff costs, as the continued expansion of our operations led to an increase in the number of our administrative and management personnel, and (ii) an increase of RMB9.0 million in business development expenses, along with the expansion of our business.

Research and Development Expenses

Our research and development expenses increased by 20.6% from RMB217.3 million in 2024 to RMB262.1 million in 2025, primarily due to an increase of RMB19.9 million in materials and consumables and an increase of RMB18.1 million in staff costs, as we continued to increase our investment in research and development to strengthen our capabilities in frontier technologies and products.

Finance Income

Our finance income remained relatively stable at RMB20.4 million in 2024 and RMB20.8 million in 2025.

Finance Costs

Our finance costs increased by 56.8% from RMB53.7 million in 2024 to RMB84.2 million in 2025, primarily due to higher interest expenses from increased borrowings.

Share of (Loss)/Profit of Associates, Net

Our net share of (loss)/profit of associates changed from a net share of loss of RMB7.7 million in 2024 to a net share of profit of RMB7.3 million in 2025, primarily due to the improved performance of certain associates.

Income Tax Expense

Our income tax expense increased from RMB108.1 million in 2024 to RMB139.2 million in 2025, primarily due to an increase in our taxable income.

Profit for the Year

As a result of the foregoing, we recorded net profit of RMB299.2 million and RMB441.4 million in 2024 and 2025, respectively.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 38.6% from RMB2,601.6 million in 2023 to RMB3,605.0 million in 2024, primarily attributable to the increased sales of our ultra-high purity metal sputtering targets and semiconductor precision components.

Our revenue generated from sales of ultra-high purity metal sputtering targets increased by 39.5% from RMB1,672.6 million in 2023 to RMB2,333.5 million in 2024. The increase was primarily attributable to the increased customer demand for our products and completion of qualification processes for more products, particularly those for advanced process nodes, amid continued expansion of downstream wafer manufacturing capacity, and supported by our leading technological capabilities, stable product quality and reliable supply management capacity.

Our revenue generated from sales of semiconductor precision components increased by 55.5% from RMB570.1 million in 2023 to RMB886.7 million in 2024, primarily attributable to the increased customer demand for our products as a result of the expansion of domestic wafer fabrication capacity and the accelerating adoption of domestically manufactured semiconductor equipment. In particular, we completed qualification processes for more products with customers. In addition, several production bases were completed and gradually commenced operations, which increased our production capacity and subsequently the sales volume of our products. These factors collectively drove higher demand for our precision components and a sustained increase in our sales volume.

Our revenue from other businesses increased by 7.2% from RMB358.9 million in 2023 to RMB384.8 million in 2024. The increase was primarily attributable to the increased sales of our other materials.

Cost of Sales

Our cost of sales increased by 41.6% from RMB1,918.7 million in 2023 to RMB2,716.7 million in 2024, primarily due to the increase in material costs driven by higher production volume, which was in line with the expansion of our business.

Gross Profit and Gross Profit Margin

Our gross profit increased by 30.1% from RMB682.9 million in 2023 to RMB888.3 million in 2024, largely in line with our revenue growth.

Our overall gross profit margin decreased from 26.2% in 2023 to 24.6% in 2024, primarily due to changes in the relative revenue contribution of our business lines. Our gross profit margin for ultra-high purity metal sputtering targets increased from 26.4% in 2023 to 28.6% in 2024, primarily attributable to the improved gross profit margins of our major products, mainly driven by our enhanced control over raw material procurement costs and continued optimization of our production processes. Our gross profit margin for semiconductor precision components decreased from 23.3% in 2023 to 18.6% in 2024, primarily because our product mix continued to diversify, and we introduced a number of new products that were at an early stage of commercialization, which carried higher per-unit costs and correspondingly lower gross profit margins before economies of scale were achieved. The gross profit margin of our other businesses decreased from 30.3% in 2023 to 14.4% in 2024, primarily due to a

change in product mix, as the proportion of revenue from sales of spent targets, which carried a higher gross profit margin, decreased, while the proportion of revenue from sales of other materials, which carried a lower gross profit margin, increased.

Other Income

Our other income increased by 69.0% from RMB39.6 million in 2023 to RMB66.9 million in 2024, primarily due to the recognition of RMB35.0 million in additional deduction for VAT in 2024, compared with nil in 2023, as certain entities within our Group became eligible for such additional VAT deduction pursuant to relevant policies promulgated in 2023.

Other Gains, Net

Our net other gains increased by 32.6% from RMB95.9 million in 2023 to RMB127.1 million in 2024, primarily due to (i) an increase of RMB41.7 million in gain on disposal of subsidiaries, and (ii) an increase of RMB9.8 million in change in fair value of financial assets at FVTPL, partially offset by a decrease of RMB12.9 million in gain on disposal and deemed disposal of investments in associates.

Impairment Losses under ECL Model, Net of Reversal

Our impairment losses under ECL model increased from RMB17.1 million in 2023 to RMB26.8 million in 2024, primarily due to an increase in impairment losses on trade receivables, resulting from the expected credit loss provision assessed on an aging basis.

Selling Expenses

Our selling expenses increased by 30.8% from RMB87.6 million in 2023 to RMB114.6 million in 2024, primarily due to (i) an increase of RMB11.9 million in sales commission and service expenses along with our revenue growth; and (ii) an increase of RMB9.3 million in staff costs, primarily driven by growth in both the number of sales personnel and their average salary and bonus levels.

Administrative Expenses

Our administrative expenses increased by 19.8% from RMB229.8 million in 2023 to RMB275.3 million in 2024, primarily due to (i) an increase of RMB24.9 million in staff costs, as the continued expansion of our operations led to an increase in the number of our administrative and management personnel, and (ii) an increase of RMB9.5 million in depreciation and amortization, primarily attributable to the commencement of depreciation on certain buildings and facilities following their completion and transfer from construction in progress to fixed assets.

Research and Development Expenses

Our research and development expenses increased by 26.5% from RMB171.8 million in 2023 to RMB217.3 million in 2024, primarily due to an increase of RMB26.5 million in materials and consumables and an increase of RMB14.1 million in staff costs, as we continued to increase our investment in research and development to strengthen our capabilities in frontier technologies and products.

Finance Income

Our finance income decreased by 19.0% from RMB25.2 million in 2023 to RMB20.4 million in 2024, primarily due to a decrease in bank interest income resulting from a lower average balance of our cash and bank balances and lower interest rates on our bank deposits during 2024.

Finance Costs

Our finance costs increased by 93.8% from RMB27.7 million in 2023 to RMB53.7 million in 2024, primarily due to higher interest expenses from increased borrowings.

Share of Loss of Associates, Net

Our net share of loss of associates decreased from RMB23.2 million in 2023 to RMB7.7 million in 2024, primarily due to the improved operating performance of our associates.

Income Tax Expense

Our income tax expense increased from RMB69.0 million in 2023 to RMB108.1 million in 2024, primarily due to an increase in our taxable income.

Profit for the Year

As a result of the foregoing, we recorded net profit of RMB217.2 million and RMB299.2 million in 2023 and 2024, respectively.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Non-current assets				
Property, plant and equipment	2,142,675	3,460,481	4,448,663	4,754,696
Investment properties	64,685	110,458	104,761	101,913
Right-of-use assets	469,316	485,861	508,103	523,390
Intangible assets	26,003	24,614	19,945	22,806
Prepayments and other receivables	102,461	56,874	231,783	403,676
Investments in associates	270,648	427,157	453,091	875,957
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	15,869	17,303	9,573	14,573
Financial assets at fair value through profit and loss ("**FVTPL**")	285,883	198,383	247,957	465,508
Deferred tax assets	25,054	27,434	23,169	10,280
Total non-current assets	3,402,594	4,808,565	6,047,045	7,172,799

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Current assets				
Inventories and other contract costs	1,090,401	1,450,614	1,541,378	1,865,036
Trade receivables	665,332	1,005,134	1,244,501	1,630,643
Note receivables	14,785	16,751	94,112	53,468
Prepayments, deposits and other receivables	138,782	252,883	343,859	467,782
Current tax assets	805	415	1,251	500
Restricted bank deposits	5,858	35,455	303,056	275,611
Cash and cash equivalents	953,089	1,119,625	1,007,592	3,406,862
Total current assets	2,869,052	3,880,877	4,535,749	7,699,902
Total assets	**6,271,646**	**8,689,442**	**10,582,794**	**14,872,701**
Current liabilities				
Trade payables	397,121	511,816	586,636	883,273
Note payables	—	48,005	447,670	805,099
Other payables and accruals	573,658	876,998	809,206	778,755
Contract liabilities	8,340	8,697	14,060	187,288
Borrowings	253,487	1,213,073	1,614,482	2,567,419
Lease liabilities	23,580	33,738	37,790	42,057
Current tax liabilities	21,182	48,985	51,793	45,474
Total current liabilities	1,277,368	2,741,312	3,561,637	5,309,365
Net current assets	**1,591,684**	**1,139,565**	**974,112**	**2,390,537**
Total assets less current liabilities	**4,994,278**	**5,948,130**	**7,021,157**	**9,563,336**
Non-current liabilities				
Borrowings	749,980	1,388,157	2,030,442	2,115,825
Lease liabilities	34,496	43,208	47,774	83,491
Deferred income	77,777	81,869	115,180	146,178
Deferred tax liabilities	2,218	7,039	1,828	33,914
Total non-current liabilities	**864,471**	**1,520,273**	**2,195,224**	**2,379,408**
Total liabilities	**2,141,839**	**4,261,585**	**5,756,861**	**7,688,773**
Net assets	**4,129,807**	**4,427,857**	**4,825,933**	**7,183,928**

Property, Plant and Equipment

Our property, plant and equipment mainly consisted of (i) construction in progress, (ii) buildings, (iii) machinery and equipment, (iv) electronic equipment and others, (v) leasehold improvements, and (vi) transportation vehicles. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Construction in progress	950,628	2,006,305	1,428,844	1,739,119
Buildings	478,885	424,361	1,414,967	1,359,040
Machinery and equipment	510,049	782,626	1,331,360	1,353,787
Electronic equipment and others	40,506	61,334	118,295	156,063
Leasehold improvements	154,592	175,116	154,734	145,143
Transportation vehicles	8,015	10,739	463	1,544
Total	**2,142,675**	**3,460,481**	**4,448,663**	**4,754,696**

Our property, plant and equipment increased from RMB2,142.7 million as of December 31, 2023 to RMB3,460.5 million as of December 31, 2024, and further to RMB4,448.7 million as of December 31, 2025, and RMB4,754.7 million as of June 30, 2026, primarily attributable to the construction of new facilities and purchase of new equipment to support our business growth and production capacity expansion.

Right-of-Use Assets

During the Track Record Period, our right-of-use assets primarily consisted of leased properties and land use rights. Our right-of-use assets increased from RMB469.3 million as of December 31, 2023 to RMB485.9 million as of December 31, 2024, and further to RMB508.1 million as of December 31, 2025 and RMB523.4 million as of June 30, 2026, primarily because we commenced more leases to support our business growth and production capacity expansion.

Prepayments, Deposits and Other Receivables

The non-current portion of our prepayments, deposits and other receivables primarily consisted of (i) prepayments for acquisition of property, plant and equipment, primarily representing advance payments for the purchase of long-term assets, (ii) prepayments for acquisition of a subsidiary, relating to the acquisition of Kaide Quartz, (iii) VAT recoverable, and (iv) finance lease receivables. The current portion of our prepayments, deposits and other receivables primarily consisted of (i) VAT recoverable, (ii) prepayments made to suppliers, primarily representing advance payments for the purchase of raw materials and goods, (iii) deposits paid, primarily representing deposits for land purchases and rental deposits, (iv) finance lease receivables, and (v) others, primarily representing deductible input VAT and export tax refunds receivable. The following table sets forth the details of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Non-current				
Prepayments				
— Acquisition of property, plant and equipment	64,879	56,559	231,630	226,458
— Acquisition of a subsidiary	—	—	—	177,218
VAT recoverable	37,119	—	—	—
Finance lease receivables	489	332	161	—
Less: provision for impairment	(26)	(17)	(8)	—
	102,461	56,874	231,783	403,676
Current				
VAT recoverable	94,513	221,057	297,251	312,053
Prepayments made to suppliers	33,925	21,296	38,431	146,503
Deposits paid	10,185	12,817	5,810	6,783
Finance lease receivables	141	155	155	—
Others	2,622	1,942	4,217	4,624
Less: provision for impairment	(2,604)	(4,384)	(2,005)	(2,181)
	138,782	252,883	343,859	467,782
Total	**241,243**	**309,757**	**575,642**	**871,458**

Our prepayments, deposits and other receivables increased from RMB241.2 million as of December 31, 2023 to RMB309.8 million as of December 31, 2024, primarily due to an increase in current VAT recoverable. Our prepayments, deposits and other receivables increased from RMB309.8 million as of December 31, 2024 to RMB575.6 million as of December 31, 2025, primarily due to (i) an increase in prepayments for acquisition of property, plant and equipment to support our production capacity expansion, and (ii) an increase in current VAT recoverable. Our prepayments, deposits and other receivables further increased to RMB871.5 million as of June 30, 2026, primarily due to (i) an increase in prepayments for acquisition of a subsidiary, primarily representing the prepayment of RMB177.2 million relating to the acquisition of Kaide Quartz, and (ii) an increase in prepayments made to suppliers, which was in line with the growth of our business. For details of the acquisition of Kaide Quartz, see "History and Corporate Structure — Major Acquisitions, Disposals and Mergers."

As of September 30, 2026, we had settled approximately RMB161.7 million, or 34.6% of the current portion of our prepayments, deposits and other receivables as of June 30, 2026.

Investments in Associates

We have invested in a number of associates. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our investments in associates amounted to RMB270.6 million, RMB427.2 million, RMB453.1 million and RMB876.0 million, respectively. For details of the associates we invested in during the Track Record Period, see note 17 to the Accountants' Report as set out in Appendix I to this document.

Financial Assets at FVTOCI

Our financial assets at FVTOCI mainly represented unlisted equity investments that were not traded on the open market and held for strategic purposes. The fair value is within level 3 of the fair value hierarchy. Our financial assets at FVTOCI increased from RMB15.9 million as of December 31, 2023 to RMB17.3 million as of December 31, 2024, primarily attributable to the change in fair value of our equity investment, which recorded a fair value gain of RMB1.4 million in 2024. Our financial assets at FVTOCI decreased from RMB17.3 million as of December 31, 2024 to RMB9.6 million as of December 31, 2025, primarily attributable to our disposal of the equity interest. Our financial assets at FVTOCI increased from RMB9.6 million as of December 31, 2025 to RMB14.6 million as of June 30, 2026, mainly due to a strategic long-term investment of RMB5.0 million.

Financial Assets at FVTPL

Our financial assets at FVTPL mainly represented equity investments that do not qualify for measurement at either amortized cost or FVTOCI. Our financial assets at FVTPL decreased from RMB285.9 million as of December 31, 2023 to RMB198.4 million as of December 31, 2024, primarily because we disposed of certain shares of a company held through an investment partnership. Our financial assets at FVTPL increased from RMB198.4 million as of December 31, 2024 to RMB248.0 million as of December 31, 2025, primarily attributable to the fair value gains on our financial assets at FVTPL of RMB35.1 million recognized in 2025. Our financial assets at FVTPL increased from RMB248.0 million as of December 31, 2025 to RMB465.5 million as of June 30, 2026, mainly because our equity investment in an associate, with a fair value of RMB162.3 million, was reclassified as a non-current financial asset at FVTPL after we ceased to have significant influence over it.

Our assets subject to Level 3 fair value measurement mainly included equity investments in unlisted entities at FVTPL and equity investments in unlisted entities at FVTOCI. For details on the assumptions utilized in our Level 3 fair value measurement, see note 41.3 to the Accountants' Report as set out in Appendix I to this document.

We have established management systems governing our equity and non-equity investment activities, covering approval authority, information disclosure, operational processes, financial accounting and risk control. Our equity investment activities include establishing new enterprises (including partnerships), acquiring or increasing equity interests, joint venture arrangements and additional capital contributions to existing investment projects. Adhering to principles of strategic alignment, rational resource allocation and sound economic returns, we aim to enhance investment efficiency. Our New Business Development Department is responsible for executing equity investments, including feasibility studies, due diligence, commercial negotiations and performance evaluation, while the Strategy and Sustainability Committee of our Board and our Board (or our Shareholders at a general meeting, where required) provide approval oversight. No investment funds may be disbursed prior to the signing of approved investment agreements. After an investment is made, our New Business Development Department and Finance Department monitor the operations, financial performance and profit distributions of the investee companies, and provide periodic investment analysis reports to our Board. Our Audit Committee and Audit Department maintain ongoing supervision over investment projects, promptly addressing any irregularities or deviations from planned returns. We also comply with all applicable laws, regulations and rules regarding the timely disclosure of investment-related information.

Following the **[REDACTED]**, our investments in financial products will be conducted in accordance with the provisions of Chapter 14 of the Listing Rules.

Inventories and Other Contract Costs

Our inventories and other contract costs primarily consisted of raw materials, work in progress, finished goods and contract fulfillment costs. The following table sets forth details of our inventories and other contract costs as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Raw materials	392,103	433,155	394,513	385,113
Work in progress	250,988	336,699	402,119	639,668
Finished goods	519,653	791,695	879,544	1,008,963
Contract fulfillment costs	2,116	10,634	5,339	6,296
	1,164,860	1,572,183	1,681,515	2,040,040
Less: Write-down	(74,459)	(121,569)	(140,137)	(175,004)
Total	**1,090,401**	**1,450,614**	**1,541,378**	**1,865,036**

Our inventories and other contract costs increased from RMB1,090.4 million as of December 31, 2023 to RMB1,450.6 million as of December 31, 2024, and further to RMB1,541.4 million as of December 31, 2025 and RMB1,865.0 million as of June 30, 2026, primarily attributable to the increase in work in progress and finished goods, which was driven by our business growth.

We periodically assess impairment of inventories and other contract costs and typically recognize a write-down when the net realizable value of inventories and other contract costs is lower than their cost (i.e., inventories and other contract costs are carried at the lower of cost and net realizable value). Our provision for write-down of inventories and other contract costs amounted to RMB74.5 million, RMB121.6 million, RMB140.1 million and RMB175.0 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

The following is an aging analysis of our inventories and other contract costs as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Within one year	1,028,542	1,360,293	1,400,755	1,755,269
One to two years	86,009	126,639	112,792	108,142
Two to three years	29,064	48,984	92,134	88,064
Over three years	21,245	36,266	75,834	88,565
Total	**1,164,860**	**1,572,183**	**1,681,515**	**2,040,040**

The following table sets forth our inventories and other contract costs turnover days for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
Inventories and other contract costs turnover days[(1)]	212	181	169	163

Note:

(1) Calculated as the average of the beginning and ending balance of gross inventories and other contract costs for the year/period divided by the cost of sales for that year/period and multiplied by 360 days (for a year) or 180 days (for the six-month period).

Our inventories and other contract costs turnover days decreased throughout the Track Record Period, primarily due to improved inventory management and increased sales volume.

As of September 30, 2026, we had utilized approximately RMB1,215.1 million, or 59.6% of our inventories and other contract costs as of June 30, 2026.

Trade Receivables

Our trade receivables represented outstanding amounts due from our customers. We generally granted credit terms of no more than 120 days to our customers. The following table sets forth details of our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
		RMB'000		
Trade receivables	701,347	1,065,367	1,318,177	1,722,020
Less: provision for impairment	(36,015)	(60,233)	(73,676)	(91,377)
Total trade receivables, net	**665,332**	**1,005,134**	**1,244,501**	**1,630,643**

Our trade receivables increased from RMB665.3 million as of December 31, 2023 to RMB1,005.1 million as of December 31, 2024, and further to RMB1,244.5 million as of December 31, 2025 and RMB1,630.6 million as of June 30, 2026, which was in line with the expansion of our business.

The following is an aging analysis of our trade receivables based on the date of revenue recognition as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
		RMB'000		
Within one year	696,493	1,048,824	1,291,062	1,702,995
One to two years	4,408	14,710	23,311	15,583
Two to three years	273	1,499	3,142	2,965
Three to four years	173	334	662	477
Total	**701,347**	**1,065,367**	**1,318,177**	**1,722,020**

The following table sets forth our trade receivables turnover days for the years/periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
Trade receivables turnover days[(1)]	81	88	93	100

Note:

(1) Calculated as the average of the beginning and ending balance of gross trade receivables for the year/period divided by the revenue for that year/period and multiplied by 360 days (for a year) or 180 days (for the six-month period).

Our trade receivables turnover days increased from 81 days in 2023 to 88 days in 2024, 93 days in 2025 and 100 days for the six months ended June 30, 2026, primarily reflecting the growing revenue contribution from semiconductor precision components, customers of which generally have longer payment cycles due to the longer installation and acceptance cycles for semiconductor equipment.

As of September 30, 2026, RMB1,343.9 million, or 78.0% of our trade receivables as of June 30, 2026 had been settled.

Cash and Cash Equivalents

Cash and cash equivalents comprised cash on hand and at banks. We had cash and cash equivalents of RMB953.1 million, RMB1,119.6 million, RMB1,007.6 million and RMB3,406.9 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. For details on the fluctuations of our cash and cash equivalents during the Track Record Period, see "— Liquidity and Capital Resources — Summary of Consolidated Statements of Cash Flows."

Trade Payables

Our trade payables primarily represented the amounts due to our suppliers for purchasing raw materials. The credit period granted by our suppliers is generally no more than 90 days.

Our trade payables increased from RMB397.1 million as of December 31, 2023 to RMB511.8 million as of December 31, 2024, and further to RMB586.6 million as of December 31, 2025 and RMB883.3 million as of June 30, 2026, primarily because the continued growth in customer orders led to higher procurement volumes, resulting in increased amounts payable to our raw material suppliers.

The following is an aging analysis of our trade payables based on the transaction date as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
		RMB'000		
Within one year	396,130	510,482	577,070	877,910
One to two years	845	1,095	8,749	3,553
Two to three years	28	107	602	1,488
Over three years	118	132	215	322
Total	**397,121**	**511,816**	**586,636**	**883,273**

The following table sets forth our trade payables turnover days for the years/periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
Trade payables turnover days[(1)]	66	60	57	64

Note:

(1) Calculated as the average of the beginning and ending balance of trade payables for the year/period divided by the cost of sales for that year/period and multiplied by 360 days (for a year) or 180 days (for the six-month period).

Our trade payables turnover days decreased from 2023 to 2025, primarily because we adopted a flexible production capacity management system centered on customer demand, regularly reviewed production utilization and continuously optimized our raw material procurement process. Our trade payables turnover days increased from 57 days in 2025 to 64 days for the six months ended June 30, 2026, primarily due to our increased procurement of raw materials to build up inventory driven by our business growth.

As of September 30, 2026, RMB813.1 million, or 92.1% of our trade payables as of June 30, 2026 had been settled.

Other Payables and Accruals

Our other payables and accruals mainly represented (i) payables for construction cost and purchase of equipment, (ii) payroll and welfare payables, (iii) other tax payables, mainly representing taxes other than corporate income tax that have been accrued but not yet paid, (iv) obligation for repurchase of restricted shares, and (v) others, mainly including deposits and guarantees and withholding taxes payable on behalf of employees. The following table sets forth details of our other payables and accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000			
Payables for construction cost and purchase of equipment	438,860	752,932	640,102	603,431
Payroll and welfare payables	64,695	87,693	119,482	87,243
Other tax payables	22,293	15,972	46,353	74,654
Obligation for repurchase of restricted shares	45,092	17,123	—	—
Others	2,718	3,278	3,269	13,427
Total	**573,658**	**876,998**	**809,206**	**778,755**

Our other payables and accruals increased from RMB573.7 million as of December 31, 2023 to RMB877.0 million as of December 31, 2024, primarily due to an increase of RMB314.1 million in payables for construction costs and equipment purchases related to the construction of additional production facilities, partially offset by a decrease of RMB28.0 million in obligation for repurchase of restricted shares. Our other payables and accruals decreased from RMB877.0 million as of December 31, 2024 to RMB809.2 million as of December 31, 2025, primarily due to a decrease of RMB112.8 million in payables for construction costs and equipment purchases, as construction in progress was progressively transferred to fixed assets and scheduled payment milestones were met, partially offset by an increase of RMB31.8 million in payroll and welfare payables and an increase of RMB30.4 million in other tax payables. Our other payables and accruals decreased from RMB809.2 million as of December 31, 2025 to RMB778.8 million as of June 30, 2026, primarily due to (i) a decrease of RMB36.7 million in payables for construction costs and equipment purchases, as a result of progressive completion and settlement during this period, and (ii) a decrease of RMB32.2 million in payroll and welfare payables, as only half-year bonuses were accrued as of June 30, 2026, compared with full-year bonuses accrued as of December 31, 2025.

As of September 30, 2026, RMB212.7 million, or 27.3% of our other payables and accruals as of June 30, 2026 had been settled.

Contract Liabilities

Our contract liabilities represented the advance consideration received from our customers. We receive payments from our customers based on the billing schedules established in the sales contracts. Contract liabilities arise when we receive amounts from our customers in advance of the delivery of products.

Our contract liabilities increased from RMB8.3 million as of December 31, 2023 to RMB8.7 million as of December 31, 2024, and further to RMB14.1 million as of December 31, 2025, which was in line with the expansion of our business. Our contract liabilities further increased to RMB187.3 million as of June 30, 2026, primarily due to an increase in significant advance payments received from key customers.

As of September 30, 2026, RMB42.0 million, or 22.4% of our contract liabilities as of June 30, 2026 were subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our operations, capital expenditure and general working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our business operations, net proceeds from our offerings of A Shares and borrowings. Our anticipated cash needs primarily include capacity expansion and new product commercialization, research and development of our products, business expansion and strategic investments and/or acquisitions. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the **[REDACTED]** from the **[REDACTED]** and, when necessary, bank and other borrowings.

As of September 30, 2026, the latest practicable date for determining our indebtedness, we had cash and cash equivalents of RMB3,299.9 million. As of the same date, we had RMB6,019.9 million of unutilized banking facilities. Considering our internal resources, our cash flow from operations and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Net Current Assets

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2023	2024	2025	2026	2026
			RMB'000		*(Unaudited)*
Current Assets					
Inventories and other contract costs	1,090,401	1,450,614	1,541,378	1,865,036	2,419,802
Trade receivables	665,332	1,005,134	1,244,501	1,630,643	1,810,368
Note receivables	14,785	16,751	94,112	53,468	329,821
Prepayments, deposits and other receivables	138,782	252,883	343,859	467,782	597,209
Current tax assets	805	415	1,251	500	2,430
Restricted bank deposits	5,858	35,455	303,056	275,611	361,997
Cash and cash equivalents	953,089	1,119,625	1,007,592	3,406,862	3,299,930
Total current assets	**2,869,052**	**3,880,877**	**4,535,749**	**7,699,902**	**8,821,557**
Current Liabilities					
Trade payables	397,121	511,816	586,636	883,273	1,208,830
Note payables	—	48,005	447,670	805,099	1,254,575
Other payables and accruals	573,658	876,998	809,206	778,755	1,047,167
Contract liabilities	8,340	8,697	14,060	187,288	277,337
Borrowings	253,487	1,213,073	1,614,482	2,567,419	2,955,618
Lease liabilities	23,580	33,738	37,790	42,057	44,167
Current tax liabilities	21,182	48,985	51,793	45,474	94,458
Total current liabilities	**1,277,368**	**2,741,312**	**3,561,637**	**5,309,365**	**6,882,152**
Net current assets	**1,591,684**	**1,139,565**	**974,112**	**2,390,537**	**1,939,405**

Our net current assets decreased from RMB1,591.7 million as of December 31, 2023 to RMB1,139.6 million as of December 31, 2024, primarily attributable to an increase in current liabilities, mainly including (i) an increase of RMB959.6 million in borrowings, and (ii) an increase of RMB303.3 million in other payables and accruals; this increase in current liabilities was partially offset by an increase in current assets, mainly including (i) an increase of RMB360.2 million in inventories and other contract costs, (ii) an increase of RMB339.8 million in trade receivables, and (iii) an increase of RMB166.5 million in cash and cash equivalents.

Our net current assets decreased from RMB1,139.6 million as of December 31, 2024 to RMB974.1 million as of December 31, 2025, primarily attributable to an increase in current liabilities, mainly including (i) an increase of RMB399.7 million in note payables, (ii) an increase of RMB401.4 million in borrowings, and (iii) an increase of RMB74.8 million in trade payables; this increase in current liabilities was partially offset by an increase in current assets, mainly including (i) an increase of RMB267.6 million in restricted bank deposits, (ii) an increase of RMB239.4 million in trade receivables, and (iii) an increase of RMB91.0 million in prepayments, deposits and other receivables.

Our net current assets increased from RMB974.1 million as of December 31, 2025 to RMB2,390.5 million as of June 30, 2026, primarily attributable to an increase in current assets, mainly including (i) an increase of RMB2,399.3 million in cash and cash equivalents, (ii) an increase of RMB386.1 million in trade receivables, (iii) an increase of RMB323.7 million in inventories and other contract costs, and (iv) an increase of RMB123.9 million in prepayments, deposits and other receivables; this increase in current assets was partially offset by an increase in current liabilities, mainly including (i) an increase of RMB952.9 million in borrowings, (ii) an increase of RMB357.4 million in note payables, (iii) an increase of RMB296.6 million in trade payables, and (iv) an increase of RMB173.2 million in contract liabilities.

Our net current assets decreased from RMB2,390.5 million as of June 30, 2026 to RMB1,939.4 million as of September 30, 2026, primarily attributable to an increase in current liabilities, mainly including (i) an increase of RMB449.5 million in note payables, (ii) an increase of RMB388.2 million in borrowings, and (iii) an increase of RMB325.6 million in trade payables; this increase in current liabilities was partially offset by an increase in current assets, mainly including (i) an increase of RMB554.8 million in inventories and other contract costs, (ii) an increase of RMB276.4 million in note receivables, (iii) an increase of RMB179.7 million in trade receivables, and (iv) an increase of RMB129.4 million in prepayments, deposits and other receivables.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
			RMB'000		
				(Unaudited)	
Net cash generated from/(used in) operating activities	251,026	(96,330)	470,015	278,772	328,777
Net cash used in investing activities	(1,026,090)	(1,349,916)	(1,206,620)	(615,229)	(799,909)
Net cash generated from financing activities	412,794	1,607,221	633,639	503,127	2,891,917
Net (decrease)/increase in cash and cash equivalents	(362,270)	160,975	(102,966)	166,670	2,420,785
Cash and cash equivalents at beginning of the year/period	1,308,864	953,089	1,119,625	1,119,625	1,007,592
Effect of foreign exchange rate changes on cash and cash equivalents, net	6,495	5,561	(9,067)	1,991	(21,515)
Cash and cash equivalents at the end of the year/period	**953,089**	**1,119,625**	**1,007,592**	**1,288,286**	**3,406,862**

Operating Activities

For the six months ended June 30, 2026, we had net cash generated from operating activities of RMB328.8 million. Our net cash generated from operating activities is calculated by adjusting our profit before income tax of RMB558.9 million by certain non-cash and working capital items, including: (i) positive adjustments, which primarily included an increase in trade payables of RMB462.7 million, an increase in note payables of RMB357.4 million, an increase in contract liabilities of RMB173.2 million, and write-down of inventories and other contract costs of RMB129.6 million; and (ii) negative adjustments, which primarily included an increase in inventories and other contract costs of RMB507.4 million, an increase in trade receivables of RMB485.8 million, an increase in prepayments, deposits and other receivables of RMB175.2 million and gain on remeasurement of previously held equity interest in associates of RMB142.5 million.

In 2025, we had net cash generated from operating activities of RMB470.0 million. Our net cash generated from operating activities is calculated by adjusting our profit before income tax of RMB580.6 million by certain non-cash and working capital items, including: (i) positive adjustments, which primarily included an increase in note payables of RMB399.7 million, write-down of inventories and other contract costs of RMB97.9 million and an increase in trade payables of RMB74.8 million; and (ii) negative adjustments, which primarily included an increase in restricted bank deposits of RMB267.6 million, an increase in trade receivables of RMB253.0 million and gain on disposal and deemed disposal of investments in associates of RMB102.2 million.

In 2024, we had net cash used in operating activities of RMB96.3 million. Our net cash used in operating activities is calculated by adjusting our profit before income tax of RMB407.3 million by certain non-cash and working capital items, including: (i) positive adjustments, which primarily included an increase in trade payables of RMB126.7 million, write-down of inventories and other contract costs of RMB108.1 million and depreciation of property, plant and equipment of RMB59.7 million; and (ii) negative adjustments, which primarily included an increase in trade receivables of RMB375.2 million, an increase in inventories and other contract costs of RMB356.5 million and an increase in prepayments, deposits and other receivables of RMB79.6 million.

In 2023, we had net cash generated from operating activities of RMB251.0 million. Our net cash generated from operating activities is calculated by adjusting our profit before income tax of RMB286.3 million by certain non-cash and working capital items, including: (i) positive adjustments, which primarily included an increase in other payables and accruals of RMB82.9 million, an increase in trade payables of RMB75.5 million, write-down of inventories and other contract costs of RMB60.5 million and depreciation of property, plant and equipment of RMB47.0 million; and (ii) negative adjustments, which primarily included an increase in trade receivables of RMB227.9 million, an increase in prepayments, deposits and other receivables of RMB68.7 million and gain on disposal and deemed disposal of investments in associates of RMB38.5 million.

Investing Activities

For the six months ended June 30, 2026, we had net cash used in investing activities of RMB799.9 million, primarily attributable to (i) the payments for property, plant and equipment, intangible assets and right-of-use assets of RMB713.6 million; and (ii) the prepayments for acquisition of a subsidiary of RMB177.2 million, partially offset by proceeds from disposal of investments in associates of RMB60.0 million.

In 2025, we had net cash used in investing activities of RMB1,206.6 million, primarily attributable to the payments for property, plant and equipment, intangible assets and right-of-use assets of RMB1,291.3 million, partially offset by proceeds from disposal of investments in associates of RMB80.0 million.

In 2024, we had net cash used in investing activities of RMB1,349.9 million, primarily attributable to (i) the payments for property, plant and equipment, intangible assets and right-of-use assets of RMB1,379.3 million; and (ii) the payments for investments in associates of RMB100.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB125.2 million.

In 2023, we had net cash used in investing activities of RMB1,026.1 million, primarily attributable to (i) the payments for property, plant and equipment, intangible assets and right-of-use assets of RMB849.0 million; (ii) the payments for purchase of financial assets at FVTPL of RMB138.6 million; and (iii) the payments for investments in associates of RMB85.0 million.

Financing Activities

For the six months ended June 30, 2026, we had net cash generated from financing activities of RMB2,891.9 million, primarily attributable to proceeds from issue of shares of RMB1,913.7 million and proceeds from borrowings of RMB1,581.9 million, partially offset by repayments of borrowings of RMB548.5 million and dividends paid of RMB102.0 million.

In 2025, we had net cash generated from financing activities of RMB633.6 million, primarily attributable to proceeds from borrowings of RMB2,671.9 million, partially offset by repayments of borrowings of RMB1,841.1 million, dividends paid of RMB80.9 million and interest paid on borrowings of RMB78.0 million.

In 2024, we had net cash generated from financing activities of RMB1,607.2 million, primarily attributable to proceeds from borrowings of RMB2,165.4 million, partially offset by repayments of borrowings of RMB408.3 million, dividends paid of RMB52.9 million and interest paid on borrowings of RMB40.8 million.

In 2023, we had net cash generated from financing activities of RMB412.8 million, primarily attributable to proceeds from borrowings of RMB1,438.4 million, partially offset by repayments of borrowings of RMB805.1 million, payments for acquisition of additional interests in non-controlling interests of RMB127.8 million and dividends paid of RMB54.7 million.

INDEBTEDNESS

As of December 31, 2023, 2024, 2025, June 30, 2026 and September 30, 2026, the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,			As of June 30,	As of September 30,
	2023	2024	2025	2026	2026
			(RMB'000)		*(Unaudited)*
Current					
Borrowings	253,487	1,213,073	1,614,482	2,567,419	2,955,618
Lease liabilities	23,580	33,738	37,790	42,057	44,167
	277,067	**1,246,811**	**1,652,272**	**2,609,476**	**2,999,785**
Non-current					
Borrowings	749,980	1,388,157	2,030,442	2,115,825	1,962,649
Lease liabilities	34,496	43,208	47,774	83,491	91,887
	784,476	**1,431,365**	**2,078,216**	**2,199,316**	**2,054,536**
Total	**1,061,543**	**2,678,176**	**3,730,488**	**4,808,792**	**5,054,321**

Borrowings

During the Track Record Period, a majority of our borrowings were obtained from commercial banks. As of December 31, 2023, 2024 and 2025, and June 30, 2026, we had total borrowings of RMB1,003.5 million, RMB2,601.2 million, RMB3,644.9 million, and RMB4,683.2 million,

respectively. Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. For details, see note 34 to the Accountants' Report as set out in Appendix I to this document.

As of September 30, 2026, we had total borrowings of RMB4,918.3 million.

Our Directors confirm that there has not been any default on our part in the payment of borrowings, or breaches of covenants during the Track Record Period and up to the date of this document. During the same period, we have not experienced any difficulties in obtaining bank loans and other borrowings.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of land use rights and buildings used in our operations. As of December 31, 2023, 2024 and 2025, and June 30, 2026 and September 30, 2026, our total lease liabilities amounted to RMB58.1 million, RMB76.9 million, RMB85.6 million, RMB125.5 million and RMB136.1 million, respectively.

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date. There was no material change in our indebtedness since September 30, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure primarily related to property, plant and equipment, intangible assets and right-of-use assets. In 2023, 2024 and 2025 and the six months ended June 30, 2026, our capital expenditure amounted to RMB849.0 million, RMB1,379.3 million, RMB1,291.3 million and RMB713.6 million, respectively.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments primarily represented contracted but unprovided commitments for acquisition of machinery and equipment and the construction of buildings. As of December 31, 2023, 2024 and 2025, and June 30, 2026, our capital commitments amounted to RMB1,154.7 million, RMB1,232.5 million, RMB1,641.1 million and RMB1,379.0 million, respectively.

CONTINGENT LIABILITIES

As of September 30, 2026, we did not have any material contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since September 30, 2026 to the date of this document.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. In particular, TCPR Material International Co., Ltd. (上海同創普潤新材料股份有限公司) ("**TCPR**"), an entity over which Dr. YAO Lijun, our substantial shareholder, has significant influence, is one of the significant related parties that had transactions with the Group during the Track Record Period. Transactions with TCPR primarily comprised (i) purchase of ultra-high purity metal materials and high-performance metal materials, including aluminum, tantalum, copper, copper-manganese alloy and other metals and alloys, amounting to RMB296.3 million, RMB784.1 million, RMB996.7 million and RMB886.1 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively; and (ii) sales of recyclable metal materials, including spent targets, scrap materials and other materials, amounting to RMB93.5 million, RMB19.6 million, RMB129.6 million and RMB70.5 million for the same periods, respectively. For details, see "Connected Transactions" and note 42 to the Accountants' Report as set out in Appendix I to this document. Our Directors are of the view that each of the related party transactions during the Track Record Period was conducted in the ordinary course of business on an arm's length basis and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-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/for the year ended December 31,			As of/for the six months ended June 30,
	2023	2024	2025	2026
Revenue growth rate[(1)]	N/A	38.6%	27.7%	30.7%
Net profit margin[(2)]	8.3%	8.3%	9.6%	16.5%
Return on equity (ROE)[(3)]	5.4%	7.0%	9.5%	N.M.
Current ratio[(4)]	2.2	1.4	1.3	1.5
Gearing ratio[(5)]	25.7%	60.5%	77.3%	66.9%

Notes:

(1) Revenue growth rate is calculated as the increase in revenue for the year/period divided by revenue for the previous year/period.

(2) Net profit margin is calculated as net profit for the year/period divided by revenue for the respective year/period.

(3) ROE is calculated as profit for the year/period divided by average of the opening and closing balances of total equity for the respective year/period. ROE for the six months ended June 30, 2026 is not meaningful as it is not comparable to annual ratios.

(4) Current ratio is calculated as current assets divided by current liabilities as of the relevant date.

(5) Gearing ratio is calculated based on total debt, which includes borrowings and lease liabilities, divided by total equity as of the date indicated and multiplied by 100%.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For details, including relevant sensitivity analysis, see note 41 to the Accountants' Report as set out in Appendix I to this document.

DIVIDENDS

Dividends of RMB54.7 million, RMB52.9 million, RMB80.9 million, RMB80.9 million and RMB102.0 million were approved and paid in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. As of the Latest Practicable Date, we had paid these dividends in full.

After the completion of the **[REDACTED]**, we may distribute dividends in such form as permitted by our Articles of Association, in cash, shares or a combination of cash and shares, or by other means as permitted by laws and regulations. Our Board will, taking into account our specific operating results, scale of profitability, cash flow position, development stage and capital requirements for the current period, and having considered the opinions of our Shareholders (in particular minority Shareholders) and independent non-executive Directors, propose an annual or interim profit distribution plan for approval by our Shareholders at a general meeting. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the relevant PRC laws. Except where we have major investment plans or major cash expenditure arrangements, we will in principle distribute dividends at least once in each financial year where we are profitable for that year and our accumulated undistributed profits are positive. Our annual cash dividends will be no less than 20% of our distributable profits for that year, and the cumulative cash dividends distributed over the most recent three years will be no less than 30% of the average annual distributable profits over such period. Our Board may also formulate an interim dividend plan based on the conditions and limits approved at the annual general meeting.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: (i) making up for losses carried forward from prior years; (ii) allocations to the statutory surplus reserve equivalent to 10% of our profit after tax (no further allocation is required once the cumulative balance has reached 50% of our registered capital); and (iii) allocations to a discretionary surplus reserve as approved by our Shareholders at a general meeting. After such allocations, the remaining distributable profits will be distributed to our Shareholders in proportion to their respective shareholdings, unless otherwise provided in our Articles of Association.

DISTRIBUTABLE RESERVES

As of June 30, 2026, we had RMB2,031.1 million of retained earnings available for distribution to our Shareholders.

[REDACTED]

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details, see "Appendix II — Unaudited **[REDACTED]** Financial Information" to this document.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

On July 1, 2026, the registration of the transfer of shares in Kaide Quartz was completed. We obtained control of Kaide Quartz, which became a controlled subsidiary and was consolidated into our Group's financial statements from that date. Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report in Appendix I to this document, and there is no event since June 30, 2026 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate the **[REDACTED]** from the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the indicative **[REDACTED]** range stated in this document), will be approximately HK$**[REDACTED]**, after deducting **[REDACTED]** and other fees and expenses payable by us in connection with the **[REDACTED]** and assuming the **[REDACTED]** is not exercised. We intend to use the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below.

(i) Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for capacity expansion and new product commercialization. We plan to expand the capacity of our existing sputtering target and precision component production lines and extend our business into emerging materials, such as compound semiconductor materials, to meet growing customer demand driven by the buildout of AI infrastructure and the need for localized supply. Specifically:

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for capacity expansion of semiconductor precision components. We plan to construct new production bases and upgrade existing ones in Zhejiang Province, Shanghai and other locations, primarily including the construction of production plants, warehouses, office buildings and supporting facilities. We will also procure production equipment for precision machining, specialized welding, surface treatment and ultra-high-cleanliness cleaning, as well as inspection and quality control equipment, and build a production and operations team comprising machinists, quality inspectors and production administrators. The new production lines will primarily focus on showerheads, heaters, high-vacuum precision valves, ultra-precision components and non-metal components.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to advance the commercialization of our compound semiconductor materials, in particular, indium phosphide (InP) substrates. This strategic initiative will extend our materials production and precision machining capabilities into this field and allow us to capture long-term growth from optoelectronic convergence. The production of compound semiconductor substrates, which involves polycrystalline synthesis, single-crystal growth, cutting, grinding, polishing and cleaning, requires the same capabilities in purity control, microstructural uniformity, contamination control in ultra-clean environments and batch-to-batch consistency that we have built. This alignment allows us to leverage our existing capabilities to develop and commercialize these materials. According to Frost & Sullivan, driven by demand from optical modules for AI data centers, co-packaged optics (CPO) and automotive LiDAR, the global compound semiconductor materials market by revenue is expected to grow from RMB346.4 billion in 2025 to RMB610.3 billion in 2030, at a CAGR of 12.0%. We plan to establish the production infrastructure needed to bring InP substrates into commercial production by constructing an InP substrate production base in Zhejiang Province, building production lines, procuring equipment, testing instruments and logistics and warehousing facilities, and building a professional production and management team.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for capacity expansion of ultra-high purity metal sputtering targets. We will build additional new intelligent production lines and supporting facilities at our existing Yuyao (Huanghu) production base. We will procure precision machining, welding, testing, and logistics and warehousing equipment, recruit production and operations personnel, and focus on targets for advanced process nodes, such as tantalum and tungsten targets. We expect to expand capacity, especially for large-size and advanced-node targets, and to shorten customer lead times.

(ii) Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for ongoing R&D to maintain our technological and market leadership. These **[REDACTED]** will be used to (a) purchase R&D and office equipment, testing instruments, software and systems, and raw materials for R&D, (b) construct cleanroom facilities and pilot production lines, and (c) conduct product testing, validation, evaluation and trial production. We will also recruit additional R&D personnel with expertise primarily in materials science and mechanical engineering and extensive experience in semiconductor sputtering targets and components. Specifically:

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for technological innovation and product development in semiconductor precision components. As wafer manufacturing moves to more advanced process nodes, equipment interiors are exposed to increasingly harsh chemical and thermal conditions and more demanding plasma processes. Components must withstand these conditions for longer periods, perform consistently and minimize particle release that could contaminate wafers and reduce chip yield. We intend to develop components with greater resistance to these conditions, longer service life and lower particle generation. We plan to focus on showerheads, heaters, electrostatic chucks, high-vacuum precision valves and ultra-precision components. We will continue to improve our precision machining, surface treatment, patterning and ultra-clean manufacturing processes. We will also conduct sample trial production and customer validation, which we believe will accelerate product iteration and support our entry into the supply chains for more advanced process equipment.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for technological innovation and product development in ultra-high purity metal sputtering targets. We plan to conduct R&D in grain size and crystallographic orientation control for large-size targets, joining technologies for large-area target-to-backing-plate joining, and technologies to extend target service life and improve material utilization. We expect to enhance target performance, consolidate our technological advantages in targets for advanced process nodes and support the continued expansion of our product portfolio.

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for R&D of other forward-looking materials to support the long-term extension of our product portfolio, focusing on (a) advanced ceramic materials, given their increasing use in extreme semiconductor processing environments. We intend to continuously improve our production and processing technologies for advanced ceramic materials to support precision ceramic structural components and ceramic targets, and to explore new applications; and (b) compound semiconductor materials, represented by InP. We will

seek breakthroughs for InP materials in growing larger, high-quality single crystals, processing wafers to achieve high flatness with minimal surface damage, and growing thin epitaxial layers with consistent thickness and quality across the wafer. We will also evaluate and explore other semiconductor materials, such as photoresists and atomic layer deposition ("**ALD**")/chemical vapor deposition ("**CVD**") precursors, in line with technology trends and market demand.

(iii) Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for strategic investments and/or acquisitions. With our platform-based operations and resource integration capabilities, we can integrate acquired businesses into our technology and quality management systems and extend our platform resources to them. We intend to invest in or acquire technology-rich companies in Asian semiconductor hubs to complement our product portfolio, accelerate new product introductions and create customer synergies.

We expect to target semiconductor precision component manufacturers with expertise in specialty alloys, silicon, ceramics and quartz, or semiconductor materials manufacturers with technical know-how in materials such as precursors and photoresists, to broaden our process capabilities and enrich our product categories. We will primarily consider target companies that have one or more of the following: (i) R&D teams with core patents in semiconductor components, equipment or materials; (ii) management teams with extensive industry knowledge and experience; and (iii) a proven commercialization track record, stable customer relationships and sound financial performance. We plan to adopt a prudent integration approach focused on synergies and long-term returns, and we may pursue majority-stake acquisitions or minority-stake investments as appropriate. As of the Latest Practicable Date, we had not identified any specific acquisition or investment target, nor had we entered into any agreement or letter of intent.

(iv) Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for working capital and general corporate purposes.

In the event that the **[REDACTED]** is set at the **[REDACTED]** or the **[REDACTED]** of the indicative **[REDACTED]** range, the **[REDACTED]** from the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]**, respectively. Under such circumstances, we will increase or decrease the allocation of the **[REDACTED]** to the above purposes on a pro-rata basis. If the actual **[REDACTED]** are less than expected, we plan to finance the shortfall with our available cash and bank balances, cash flow from operations and bank loans or other borrowings.

In the event that the **[REDACTED]** is exercised in full, we will receive **[REDACTED]** of HK$**[REDACTED]** (after deducting the estimated **[REDACTED]** and other fees and expenses payable by us in connection with the **[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the **[REDACTED]** of the indicative **[REDACTED]** range stated in this document). We intend to apply the additional **[REDACTED]** to the above purposes on a pro-rata basis.

To the extent that the **[REDACTED]** from the **[REDACTED]** are not immediately used for the above purposes, we will hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. We will issue an appropriate announcement if there is any material change to the above proposed **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-[•], received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KONFOONG MATERIALS INTERNATIONAL CO., LTD., AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of Konfoong Materials International Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and 30 June 2026, and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025 and 30 June 2026, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2025 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[•] have been made.

Dividends

We refer to Note [•] to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[BDO Limited]
Certified Public Accountants

[•]
Practising Certificate no. [•]

Hong Kong
[REDACTED]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited 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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2023**	**2024**	**2025**	**2025**	**2026**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*7*	2,601,609	3,604,963	4,604,101	2,094,692	2,737,310
Cost of sales		(1,918,740)	(2,716,658)	(3,471,476)	(1,557,157)	(2,059,887)
Gross profit		682,869	888,305	1,132,625	537,535	677,423
Other income	*10*	39,592	66,894	109,885	39,513	37,811
Other gains/(losses), net	*11*	95,852	127,091	120,125	91,096	274,455
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	*12*	(17,147)	(26,808)	(11,273)	(2,193)	(22,323)
Selling expenses		(87,620)	(114,619)	(132,290)	(57,247)	(64,057)
Administrative expenses		(229,795)	(275,291)	(320,346)	(141,865)	(175,792)
Research and development expenses	*8*	(171,765)	(217,290)	(262,053)	(118,987)	(158,955)
Operating profit		311,986	448,282	636,673	347,852	568,562
Finance income	*13*	25,207	20,416	20,803	9,521	10,693
Finance costs	*13*	(27,715)	(53,717)	(84,214)	(40,179)	(54,231)
Finance costs, net	*13*	(2,508)	(33,301)	(63,411)	(30,658)	(43,538)
Share of (loss)/profit of associates, net	*17*	(23,217)	(7,711)	7,314	(1,722)	33,859
Profit before income tax	*8*	286,261	407,270	580,576	315,472	558,883
Income tax expense	*14*	(69,029)	(108,057)	(139,167)	(60,549)	(106,436)
Profit for the year/period		217,232	299,213	441,409	254,923	452,447

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other comprehensive income for the year/period						
Item that will not be reclassified subsequently to profit or loss:						
Changes in fair value of equity investments at fair value through other comprehensive income		1,952	1,218	(2,622)	—	—
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations		298	(900)	(1,800)	1,759	(5,095)
Other comprehensive income for the year/period, net of tax		2,250	318	(4,422)	1,759	(5,095)
Total comprehensive income for the year/period		219,482	299,531	436,987	256,682	447,352
Profit for the year/period attributable to:						
Owners of the Company		252,270	426,099	526,612	274,742	519,744
Non-controlling interests		(35,038)	(126,886)	(85,203)	(19,819)	(67,297)
		217,232	299,213	441,409	254,923	452,447
Total comprehensive income for the year/period attributable to:						
Owners of the Company		254,493	426,450	522,196	276,443	514,663
Non-controlling interests		(35,011)	(126,919)	(85,209)	(19,761)	(67,311)
		219,482	299,531	436,987	256,682	447,352
Earnings per share attributable to owners of the Company						
Basic *(RMB per share)*	*15*	0.95	1.61	1.99	1.04	1.90
Diluted *(RMB per share)*	*15*	0.95	1.61	1.99	1.04	1.90

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*18*	2,142,675	3,460,481	4,448,663	4,754,696
Investment properties	*19*	64,685	110,458	104,761	101,913
Right-of-use assets	*20*	469,316	485,861	508,103	523,390
Intangible assets	*21*	26,003	24,614	19,945	22,806
Prepayments and other receivables	*26*	102,461	56,874	231,783	403,676
Investments in associates	*17*	270,648	427,157	453,091	875,957
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	*24*	15,869	17,303	9,573	14,573
Financial assets at fair value through profit and loss ("**FVTPL**")	*25*	285,883	198,383	247,957	465,508
Deferred tax assets	*22*	25,054	27,434	23,169	10,280
Total non-current assets		3,402,594	4,808,565	6,047,045	7,172,799
Current assets					
Inventories and other contract costs	*23*	1,090,401	1,450,614	1,541,378	1,865,036
Trade receivables	*27*	665,332	1,005,134	1,244,501	1,630,643
Note receivables	*28*	14,785	16,751	94,112	53,468
Prepayments, deposits and other receivables	*26*	138,782	252,883	343,859	467,782
Current tax assets		805	415	1,251	500
Restricted bank deposits	*29*	5,858	35,455	303,056	275,611
Cash and cash equivalents	*29*	953,089	1,119,625	1,007,592	3,406,862
Total current assets		2,869,052	3,880,877	4,535,749	7,699,902
Total assets		6,271,646	8,689,442	10,582,794	14,872,701
LIABILITIES					
Current liabilities					
Trade payables	*30*	397,121	511,816	586,636	883,273
Note payables	*31*	—	48,005	447,670	805,099
Other payables and accruals	*32*	573,658	876,998	809,206	778,755
Contract liabilities	*33*	8,340	8,697	14,060	187,288
Borrowings	*34*	253,487	1,213,073	1,614,482	2,567,419
Lease liabilities	*20*	23,580	33,738	37,790	42,057
Current tax liabilities		21,182	48,985	51,793	45,474
Total current liabilities		1,277,368	2,741,312	3,561,637	5,309,365
Net current assets		1,591,684	1,139,565	974,112	2,390,537
Total assets less current liabilities		4,994,278	5,948,130	7,021,157	9,563,336

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Borrowings	*34*	749,980	1,388,157	2,030,442	2,115,825
Lease liabilities	*20*	34,496	43,208	47,774	83,491
Deferred income	*35*	77,777	81,869	115,180	146,178
Deferred tax liabilities	*22*	2,218	7,039	1,828	33,914
Total non-current liabilities		864,471	1,520,273	2,195,224	2,379,408
Total liabilities		2,141,839	4,261,585	5,756,861	7,688,773
Net assets		4,129,807	4,427,857	4,825,933	7,183,928
EQUITY					
Share capital	*36*	265,435	265,338	265,320	275,971
Treasury shares	*37*	(65,092)	(69,128)	(52,005)	(52,005)
Reserves	*38*	3,176,920	3,138,517	3,142,218	5,035,935
Retained earnings		797,050	1,167,105	1,613,389	2,031,113
Equity attributable to owners of the Company		4,174,313	4,501,832	4,968,922	7,291,014
Non-controlling interests		(44,506)	(73,975)	(142,989)	(107,086)
Total equity		4,129,807	4,427,857	4,825,933	7,183,928

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*18*	766,362	1,166,081	1,446,780	1,671,068
Investment properties	*19*	20,570	19,199	17,828	17,143
Right-of-use assets	*20*	137,829	132,407	131,549	129,730
Intangible assets	*21*	8,492	11,165	9,823	9,358
Prepayments and other receivables	*26*	35,945	42,325	113,244	209,441
Investments in associates	*17*	269,778	415,548	451,938	869,981
Investment in subsidiaries	*16*	1,223,406	1,498,870	1,675,010	2,617,890
Financial assets at FVTOCI	*24*	15,869	17,303	9,573	9,573
Financial assets at FVTPL	*25*	285,883	198,383	247,957	465,508
Deferred tax assets	*22*	20,764	35,703	31,814	—
Total non-current assets		2,784,898	3,536,984	4,135,516	5,999,692
Current assets					
Inventories and other contract costs	*23*	681,519	927,799	903,298	1,213,159
Trade receivables	*27*	618,826	867,844	1,024,548	1,290,167
Note receivables	*28*	9,514	266	79,209	36,804
Prepayments, deposits and other receivables	*26*	1,364,758	2,629,948	2,811,513	3,024,815
Restricted bank deposits	*29*	5,852	22,057	303,047	272,058
Cash and cash equivalents	*29*	676,876	704,296	755,158	2,296,401
Total current assets		3,357,345	5,152,210	5,876,773	8,133,404
Total assets		6,142,243	8,689,194	10,012,289	14,133,096
LIABILITIES					
Current liabilities					
Trade payables	*30*	348,062	513,177	572,950	853,247
Note payables	*31*	—	48,005	455,170	831,581
Other payables and accruals	*32*	333,887	306,557	268,443	411,498
Contract liabilities	*33*	1,055	2,649	3,359	23,027
Borrowings	*34*	215,721	1,093,353	1,237,648	2,015,347
Lease liabilities	*20*	5,116	3,132	3,420	3,808
Current tax liabilities		19,974	39,612	41,209	33,978
Total current liabilities		923,815	2,006,485	2,582,199	4,172,486
Net current assets		2,433,530	3,145,725	3,294,574	3,960,918
Total assets less current liabilities		5,218,428	6,682,709	7,430,090	9,960,610

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Borrowings	*34*	642,980	1,366,557	1,335,424	1,353,564
Lease liabilities	*20*	9,178	6,046	5,254	4,879
Deferred income	*35*	64,917	55,967	64,793	74,481
Deferred tax liabilities	*22*	—	—	—	20,147
Total non-current liabilities		717,075	1,428,570	1,405,471	1,453,071
Total liabilities		1,640,890	3,435,055	3,987,670	5,625,557
Net assets		4,501,353	5,254,139	6,024,619	8,507,539
EQUITY					
Share capital	*36*	265,435	265,338	265,320	275,971
Treasury shares	*37*	(65,092)	(69,128)	(52,005)	(52,005)
Reserves	*38*	3,261,935	3,274,015	3,271,826	5,166,525
Retained earnings		1,039,075	1,783,914	2,539,478	3,117,048
Total equity		4,501,353	5,254,139	6,024,619	8,507,539

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	265,568	(95,697)	3,193,724	636,134	3,999,729	(20,681)	3,979,048
Profit for the year	—	—	—	252,270	252,270	(35,038)	217,232
Other comprehensive income for the year, net of tax	—	—	2,223	—	2,223	27	2,250
Total comprehensive income for the year	—	—	2,223	252,270	254,493	(35,011)	219,482
Exercise of share option	92	—	3,540	—	3,632	—	3,632
Cancellation of restricted shares	(225)	5,513	(5,270)	—	18	—	18
Vesting of restricted shares	—	45,092	—	—	45,092	—	45,092
Share-based payments	—	—	40,272	—	40,272	6,127	46,399
Deferred tax impact on share-based payments	—	—	432	—	432	—	432
Repurchase of shares	—	(20,000)	—	—	(20,000)	—	(20,000)
Appropriation to statutory reserve	—	—	36,647	(36,647)	—	—	—
Dividends *(Note 49)*	—	—	—	(54,707)	(54,707)	—	(54,707)
Capital contribution from non-controlling interests	—	—	—	—	—	27,698	27,698
Acquisition of a subsidiary *(Note 44)*	—	—	—	—	—	12,905	12,905
Disposal of subsidiaries *(Note 45)*	—	—	—	—	—	(2,419)	(2,419)
Deemed partial disposal of a subsidiary without losing control	—	—	119	—	119	(119)	—
Acquisition of additional interests in non-controlling interests	—	—	(94,767)	—	(94,767)	(33,006)	(127,773)
As at 31 December 2023	265,435	(65,092)	3,176,920	797,050	4,174,313	(44,506)	4,129,807

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	265,435	(65,092)	3,176,920	797,050	4,174,313	(44,506)	4,129,807
Profit for the year	—	—	—	426,099	426,099	(126,886)	299,213
Other comprehensive income for the year, net of tax	—	—	351	—	351	(33)	318
Total comprehensive income for the year	—	—	351	426,099	426,450	(126,919)	299,531
Cancellation of restricted shares	(97)	2,377	(2,249)	—	31	—	31
Vesting of restricted shares	—	25,592	—	—	25,592	—	25,592
Share-based payments	—	—	21,847	—	21,847	7,575	29,422
Deferred tax impact on share-based payments	—	—	8,521	—	8,521	—	8,521
Repurchase of shares	—	(32,005)	—	—	(32,005)	—	(32,005)
Appropriation to statutory reserve	—	—	3,173	(3,173)	—	—	—
Dividends *(Note 49)*	—	—	—	(52,871)	(52,871)	—	(52,871)
Capital contribution from non-controlling interests	—	—	—	—	—	25,000	25,000
Disposal of subsidiaries *(Note 45)*	—	—	—	—	—	15,336	15,336
Deemed partial disposal of a subsidiary without losing control	—	—	(63,546)	—	(63,546)	62,345	(1,201)
Acquisition of additional interests in non-controlling interests	—	—	(6,500)	—	(6,500)	(12,806)	(19,306)
As at 31 December 2024	265,338	(69,128)	3,138,517	1,167,105	4,501,832	(73,975)	4,427,857

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025	265,338	(69,128)	3,138,517	1,167,105	4,501,832	(73,975)	4,427,857
Profit for the year	—	—	—	526,612	526,612	(85,203)	441,409
Other comprehensive income for the year, net of tax	—	—	(4,416)	—	(4,416)	(6)	(4,422)
Total comprehensive income for the year	—	—	(4,416)	526,612	522,196	(85,209)	436,987
Cancellation of restricted shares	(18)	438	(412)	—	8	—	8
Vesting of restricted shares	—	16,685	—	—	16,685	—	16,685
Share-based payments	—	—	10,019	—	10,019	2,686	12,705
Deferred tax impact on share-based payments	—	—	(633)	—	(633)	—	(633)
Dividends *(Note 49)*	—	—	—	(80,876)	(80,876)	—	(80,876)
Transfer of FVTOCI reserves on disposal of financial assets at FVTOCI to retained earnings	—	—	(548)	548	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	1,500	1,500
Partial disposal of subsidiaries without losing control	—	—	5,503	—	5,503	6,197	11,700
Acquisition of additional interests in non-controlling interests	—	—	(5,812)	—	(5,812)	5,812	—
As at 31 December 2025	265,320	(52,005)	3,142,218	1,613,389	4,968,922	(142,989)	4,825,933

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
As at 1 January 2025	265,338	(69,128)	3,138,517	1,167,105	4,501,832	(73,975)	4,427,857
Profit for the period	—	—	—	274,742	274,742	(19,819)	254,923
Other comprehensive income for the period, net of tax	—	—	1,701	—	1,701	58	1,759
Total comprehensive income for the period	—	—	1,701	274,742	276,443	(19,761)	256,682
Cancellation of restricted shares	(18)	438	(412)	—	8	—	8
Vesting of restricted shares	—	13,072	—	—	13,072	—	13,072
Share-based payments	—	—	5,865	—	5,865	1,404	7,269
Deferred tax impact on share-based payments	—	—	(396)	—	(396)	—	(396)
Dividends *(Note 49)*	—	—	—	(80,876)	(80,876)	—	(80,876)
Partial disposal of a subsidiary without losing control	—	—	3,566	—	3,566	5,534	9,100
Acquisition of additional interests in non-controlling interests	—	—	(5,812)	—	(5,812)	5,812	—
As at 30 June 2025	265,320	(55,618)	3,143,029	1,360,971	4,713,702	(80,986)	4,632,716

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2026	265,320	(52,005)	3,142,218	1,613,389	4,968,922	(142,989)	4,825,933
Profit for the period	—	—	—	519,744	519,744	(67,297)	452,447
Other comprehensive income for the period, net of tax	—	—	(5,081)	—	(5,081)	(14)	(5,095)
Total comprehensive income for the period	—	—	(5,081)	519,744	514,663	(67,311)	447,352
Issue of shares by private placement *(Note 37(a))*	10,651	—	1,894,699	—	1,905,350	—	1,905,350
Share-based payments	—	—	4,099	—	4,099	1,189	5,288
Dividends *(Note 49)*	—	—	—	(102,020)	(102,020)	—	(102,020)
Capital contribution from non-controlling interests	—	—	—	—	—	102,025	102,025
As at 30 June 2026	275,971	(52,005)	5,035,935	2,031,113	7,291,014	(107,086)	7,183,928

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before income tax		286,261	407,270	580,576	315,472	558,883
Adjustments for:						
Write-down of inventories	*8*	60,495	108,063	97,936	76,261	129,564
Depreciation of property, plant and equipment	*8*	46,992	59,707	70,627	21,684	46,921
Depreciation of investment properties	*8*	3,182	5,697	5,697	2,848	2,848
Depreciation of right-of-use assets	*8*	8,611	8,571	10,211	4,399	4,620
Amortisation of intangible assets	*8*	2,086	2,685	4,148	1,896	2,667
Equity-settled share-based payment expenses	*9*	46,399	29,422	12,705	7,269	5,288
Dividend income from financials assets at FVTPL and FVTOCI	*10*	(800)	(391)	(32)	(12)	—
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	*11*	(95)	482	1,060	—	(156)
Gain on leases modification	*11*	(96)	(76)	(17)	—	—
Gain on disposal and deemed disposal of investments in associates	*11*	(38,484)	(25,535)	(102,193)	(96,654)	(69,085)
Gain on disposal of subsidiaries	*11*	(3,575)	(45,295)	—	—	(31,018)
Gain on bargain purchases	*11*	(1)	—	—	—	—
Gain on remeasurement of previously held equity interest in associates	*11*	(5,760)	—	—	—	(142,464)
Change in fair value of financial assets at FVTPL	*11*	(27,854)	(37,650)	(35,067)	5,641	(61,602)
Exchange (gains)/losses, net	*11*	(19,987)	(19,017)	16,092	(83)	29,870
Provision of impairment under ECL model, net	*12*	17,147	26,808	11,273	2,193	22,323
Finance costs, net	*13*	2,508	33,301	63,411	30,658	43,538
Share of net loss/(profit) of associates	*17*	23,217	7,711	(7,314)	1,722	(33,859)
Operating cash flow before movements in working capital		400,246	561,753	729,113	373,294	508,338
Decrease/(increase) in inventories and other contract costs		(1,704)	(356,505)	18,096	60,683	(507,419)
Increase in trade receivables		(227,949)	(375,247)	(252,999)	(61,573)	(485,760)
Decrease/(increase) in note receivables		5,736	(2,580)	(77,361)	(37,381)	39,638
Increase in prepayments, deposits and other receivables		(68,691)	(79,645)	(88,455)	(99,211)	(175,212)
Decrease/(increase) in restricted bank deposits		692	(29,597)	(267,601)	(49,966)	27,445
Increase/(decrease) in trade payables		75,486	126,654	74,820	(24,158)	462,674
Increase in notes payables		—	48,005	399,665	94,995	357,429
Increase/(decrease) in other payables and accruals		82,890	52,936	13,198	69,240	(32,144)

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Increase in contract liabilities		7,017	368	5,363	2,131	173,228
Increase in deferred income		9,354	6,154	33,311	27,486	30,998
Cash generated from/(used in) operations		283,077	(47,704)	587,150	355,540	399,215
Income taxes paid		(57,258)	(69,042)	(137,938)	(86,289)	(81,131)
Interest received		25,207	20,416	20,803	9,521	10,693
Net cash generated from/(used in) operating activities		251,026	(96,330)	470,015	278,772	328,777
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for property, plant and equipment, intangible assets and right-of-use assets		(848,994)	(1,379,316)	(1,291,269)	(679,489)	(713,621)
Payments for purchase of financial assets at FVTPL		(138,563)	—	(16,000)	(16,000)	(4,000)
Payments for purchase of financial assets at FVTOCI		—	—	—	—	(5,000)
Payments for investments in associates		(85,000)	(100,000)	—	—	—
Prepayments for acquisition of a subsidiary		—	—	—	—	(177,218)
Proceeds from disposal of financial assets at FVTPL		—	125,150	1,493	247	10,314
Proceeds from disposal of investments in associates		30,000	—	80,000	80,000	60,000
Proceeds from disposal of financial assets at FVTOCI		—	—	4,548	—	—
Dividend received from financial assets at FVTPL and FVTOCI		800	391	32	12	—
Dividend received from investments in associates		—	—	3,638	—	279
Proceeds from disposal of property, plant and equipment and intangible assets		26,404	4,841	10,938	1	40,944
Proceeds from disposal of subsidiaries, net of cash disposed of	*45*	(11,125)	(982)	—	—	(11,607)
Acquisition of subsidiaries, net of cash acquired	*44*	388	—	—	—	—
Net cash used in investing activities		(1,026,090)	(1,349,916)	(1,206,620)	(615,229)	(799,909)

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares		3,632	—	—	—	1,913,658
Capital contribution from non-controlling interests		27,698	25,000	1,500	—	102,025
Proceeds from borrowings	*43*	1,438,394	2,165,422	2,671,870	1,416,853	1,581,855
Repayments of borrowings	*43*	(805,115)	(408,278)	(1,841,101)	(782,758)	(548,539)
Repurchase of shares		(25,495)	(34,351)	(430)	(430)	—
Payments for acquisition of additional interests in non-controlling interests		(127,773)	(12,900)	—	—	—
Principal portion of lease liabilities	*43*	(17,023)	(30,373)	(35,916)	(13,910)	(15,301)
Interest portion of lease liabilities	*43*	(2,514)	(3,649)	(3,414)	(1,608)	(1,953)
Dividends paid		(54,707)	(52,871)	(80,876)	(80,876)	(102,020)
Interest paid on borrowings	*43*	(24,303)	(40,779)	(77,994)	(34,144)	(37,808)
Net cash generated from financing activities		412,794	1,607,221	633,639	503,127	2,891,917
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(362,270)	160,975	(102,966)	166,670	2,420,785
Cash and cash equivalents at the beginning of the year/period		1,308,864	953,089	1,119,625	1,119,625	1,007,592
Effect of foreign exchange rate changes on cash and cash equivalents, net		6,495	5,561	(9,067)	1,991	(21,515)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		953,089	1,119,625	1,007,592	1,288,286	3,406,862

II NOTES TO HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Konfoong Materials International Co., Ltd. ("**the Company**") was established in the People's Republic of China, excluding Hong Kong Special Administrative Region of the People's Republic of China, Macau Special Administrative Region of the People's Republic of China and Taiwan Region ("**Chinese Mainland**" or "**PRC**") in 2005. The Company's A shares were listed on the Shenzhen Stock Exchange in June 2017.

The addresses of the Company's registered office and principal place of business are located at Anshan Road, Mingbang Technology Industrial Park, Yuyao Economic Development Zone, Zhejiang Province, PRC, and No. 1166 Lishi Road, Ditang Subdistrict, Yuyao, Zhejiang Province, PRC.

The Company and its subsidiaries (together, "**the Group**") are principally engaged in the research, development, manufacturing, and sales of ultra-high purity metal sputtering targets and semiconductor precision components. Particulars of the subsidiaries are disclosed in Note 16.

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards which collective term includes all individual International Financial Reporting Standards ("**IFRS**"), International Accounting Standards ("**IAS**") and Interpretations issued by International Accounting Standards Board ("**IASB**"). In addition, the Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The IASB has issued a number of standards and amendments to standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all IFRS Accounting Standards that are effective for accounting period commencing on or after 1 January 2026, unless otherwise stated.

The statutory consolidated financial statements of the Group for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the PRC.

Accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at FVTOCI and financial assets at FVTPL, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE NEW STANDARDS, INTERPRETATION AND AMENDMENTS

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not effective for the Track Record Period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions except the new IFRS 18 as set out below.

The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[1]
IFRS 18	Presentation and Disclosure in Financial Statements[1]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[1]
IFRS 20	Regulatory Assets and Regulatory Liabilities[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures[4]

1 Effective for annual reporting periods beginning on or after 1 January 2027
2 Effective for annual reporting periods beginning on or after 1 January 2029
3 No mandatory effective date yet determined but available for adoption
4 The amendments are applied from when an entity first applies IFRS 18

IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss 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. The new requirements are expected to impact the Group's presentation of the consolidated statements of profit or loss and disclosures of the Group's financial performance but are unlikely to have a significant impact on the Group's net profit and financial position in the period of initial application.

4 ACCOUNTING POLICIES

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries and the Group's interest in associates. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.2 Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred

by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16 Leases) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

4.3 Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost in the consolidated statements of financial position.

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in associates exceeds its interest in associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

The carrying amount of associates is tested for impairment in accordance with the policy described in Note 4.4.

The Company's investments in associates is accounted for in the financial statements using the equity method.

4.4 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- investment properties measured using the cost model;
- intangible assets;
- investments in associates; and
- interests in subsidiaries in the Company's statement of financial position

Intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired.

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses (other than goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or cash generating units ("**CGU**"), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4.5 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the buildings could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and any identified impairment.

Construction in progress, which mainly represents properties under construction and machinery and equipment pending installation, is stated at cost less any impairment losses. construction in progress is reclassified to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Other than construction in progress, depreciation is calculated using the straight-line method to allocate their cost, net of their estimated residual values, over their estimate useful lives as follows:

Buildings	20 years or the related lease term, whichever is the shorter
Machinery and equipment	10–15 years
Transportation vehicles	4 years
Electronic equipment and others	3–5 years
Leasehold improvements	5 years or the related lease term, whichever is the shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4.7.

Depreciation is calculated to write off the cost of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold land	Over the period of leases
Buildings	20 years or the related lease term, whichever is the shorter

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of those properties for measurement or disclosure purposes.

4.7 Leases

The Group as lessee

All leases are required to be capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less and do not contain a purchase option and leases of low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under IAS 40 and are carried at cost less accumulated depreciation and accumulated impairment losses.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as of commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease with any gain or loss recognised in profit or loss and making corresponding adjustments to the relevant right-of-use asset for all other lease modifications. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4.8 Intangible assets

(a) Acquired intangible assets

Intangible assets that are acquired separately and have finite useful lives are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, as follows:

Software	5 years
Patents	4 years
Non-patent technologies	4 years
Vehicle licenses	5 years

(b) Research and development

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase. Expenditure on research phases is recognised as an expense in the period in which it is incurred. Expenditure on development phase is capitalised and recognised as intangible assets if all the following can be demonstrated:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

Capitalised development costs are transferred to patent when the development is done and ready for use. Capitalised development costs are stated at cost less any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, 5 years.

4.9 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "Finance income" using the effective interest method. Foreign exchange gains and losses are included in "Other gains/(losses), net". Any gain or loss arising on derecognition and impairment losses are presented as separate line items in the consolidated statements of profit or loss and other comprehensive income.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are included in "Other gains/(losses), net" and impairment expenses are presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

- FVTPL: Assets that do not meet the criteria for amortised cost or financial assets at FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

(b) Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(c) Impairment

The Group performs impairment assessment under ECL model on debt instruments which are measured at amortised cost and FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognises lifetime ECL for trade receivables. The ECL on these financial assets are assessed collectively using a provision matrix and individually for credit-impaired receivable based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of each reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account, except for debt instruments measured at FVTOCI where the loss allowance is recognised in other comprehensive income without reducing the carrying amount of these debt instruments.

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, note payables, other payables and accruals and borrowings issued by the Group are subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group shall continue to recognise the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.10 Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sales or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.11 Revenue recognition

Sales of products

The Group manufactures and sells ultra-high purity metal sputtering targets and semiconductor precision components to customers.

The sales generally involve a single performance obligation to deliver goods pursuant to customer purchase orders. Shipping and handling activities performed prior to the customer obtaining control of the goods are accounted for as fulfilment activities and are not a promised good or service. The costs associated with these activities are recognised in cost of sales when control of the goods is transferred to the customer. For most contracts, there is a fixed unit price for each product sold. Where a customer orders more than one product type, the Group allocates the contract price to each product type by reference to each product's standalone selling price.

The Group has determined that the performance obligations are satisfied at a point in time when the control of the goods is transferred to the customer. This typically occurs (a) upon the collection by the customers at the Group's warehouse under ex-work arrangement, or upon the arrival at the location designed by the customer under delivery duty paid or delivered at place arrangement; and (b) upon the customer has removed the goods from their warehouse for production or other use.

The transfer of control occurs until the customer has removed the goods from their warehouse because the Group can require the customer to return of the goods or transfer it to another party, and the customer does not have an unconditional obligation to pay until that point of time. The transfer of control occurs upon the collection by the customers, or the arrival at the location designed by the customers because at this point of time, the Group does not have physical possession of the asset but has a present right to payment; and the customer has significant risks and rewards of ownership of the asset, the goods have either been accepted by the customers or there is objective evidence that the goods provided meet the required specification, and the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

Customers are either required to provide upfront payments to the Group to secure an order, or are required to pay when the control of the promised goods is transferred, usually payable within 120 days. A contract liability is recognised when the Group receives consideration in advance of transferring control of the promised goods. A receivable is recognised when the control of the promised goods has been transferred to the customers, but the Group has not received consideration in advance, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Because the Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year, there is no significant financing component and the transaction price is not adjusted for the time value of money.

Goods sold by the Group include warranties which require the Group to either replace or repair a defective item during the warranty period if they fail to comply with agreed-upon specifications. These warranties cannot be purchased separately and serve as an assurance that the goods sold comply with agreed-upon specifications. Such warranties are not accounted for as separate performance obligations and hence no consideration is allocated to them. Instead, a provision is made for the costs of satisfying the warranties but is estimated to be immaterial.

The Group also allows customers for a full refund if the goods sold have quality issue and this give rise to variable consideration. In estimating the variable consideration, the Group uses an expected value approach to estimates these returns, given the large number of customer contracts that have similar characteristics. Before including any amount of variable consideration in the transaction price, the Group also considers whether the amount of variable consideration is constrained. The Group estimates the amount of returns are immaterial based on its specified terms of the contracts, accumulated experience with customers and historical data on returns for specific products.

Contract liabilities

Contract liabilities arise when the Group receives consideration in advance of providing the services or products promised in the contract.

4.12 Interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI and is calculated by applying the effective interest rate to the gross carrying amount of the debt instruments when the asset is not credit-impaired. For debt instruments that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

4.13 Government grants

Government grants are recognised 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 or deducted from the related expense. Where the grant relates to an asset, it is credited to a deferred income and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

4.14 Employee benefits

(a) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(b) Defined contribution plans

Social insurances

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is 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

Housing funds 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 PRC. 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 is limited to the contributions payable by the Group.

4.15 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets may also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and does not give rise for equal taxable and deductible temporary differences (provided they are not part of a business combination), and temporary differences relating to investment in subsidiaries and associates to the extent that, in the case of taxable temporary differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, and it is not probable that they will reverse in the future.

The amount of deferred tax recognised is 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 enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    o the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4.16 Foreign currency translation

The functional currency of majority of the entities within the Group is RMB, which is the currency of the primary economic environment in which most of the Group's entities operate. The Group adopted RMB as its presentation currency in the preparation of the consolidated financial statements, which is also the functional currency of the Company.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at the foreign exchange rates ruling at the reporting date. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of overseas entities are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Assets and liabilities are translated into RMB at the exchange rates ruling at the reporting date. The resulting currency translation differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. On disposal of an overseas entity, the cumulative amount of the currency translation differences relating to that particular foreign operation is reclassified from equity to profit or loss.

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.18 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short term highly liquid investments that are readily convertible into known amounts of cash, that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

4.19 Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

4.20 Share-based payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the share-based payment reserve is credited accordingly in the case of equity instruments of the Company, and non-controlling interests, in the case of equity instruments of the subsidiaries. Instruments of which vesting is conditional upon completion of services or fulfilment of performance conditions are measured by recognising services rendered during the period in relevant costs or expenses and crediting the share-based payment reserve in respect of equity instruments of the Company and non-controlling interests in respect of equity instruments of the subsidiaries accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at the end of each reporting period during the vesting period.

No expense is recognised for awards that do not ultimately vest due to non-fulfilment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the instrument granted or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where employees or other parties are permitted to choose to fulfil non-vesting conditions but have not fulfilled during the vesting period, equity-settled share-based payments are deemed cancelled. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they were a modification of the original award.

5 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Income tax and deferred tax

The Group is mainly subject to income tax in the PRC. Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Provision of ECL for debt instruments at amortised cost and at FVTOCI

The Group calculates ECL for trade and other receivables, note receivables, restricted bank deposits and cash and cash equivalent under IFRS 9. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. For details of the key assumptions and inputs used are set out in Note 41.1(b). Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

(c) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value as stated in Note 4.10. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting period.

(d) Useful life of property, plant and equipment

Estimated useful lives of property, plant and equipment are reviewed at least at the end of each financial year. Estimated useful lives of the assets are determined by management based on past experience of similar assets and the expected technical update. If significant changes occur on the previous estimates, adjustment on depreciation expenses is carried out in the future period.

(e) Fair value measurement

A number of assets and liabilities included in the Group's Historical Financial Information require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs other than quoted prices included within Level 1; and
- Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

- Financial assets at FVTPL; and
- Financial assets at FVTOCI.

For more detailed information in relation to the fair value measurement of the items above, please refer to Note 41.3.

6 SEGMENT INFORMATION

The Group manages its businesses by business lines, in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. The Group has one single operating segment, and no further analysis of the single segment is presented.

The geographical location of the Group's non-current assets (excluding deferred tax assets and financial assets) is based on the physical location of these assets, in the case of property, plant and equipment, investment properties; the location of operation to which they are allocated, in the case of right-of-use assets, intangible assets and prepayments or the location of operation, in the case of investments in associates.

As at the end of each reporting period, the geographical location of the Group's non-current assets is as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chinese Mainland (country of domicile).	3,072,236	4,554,932	5,756,319	6,644,181
Others	3,089	10,198	9,874	38,257
	3,075,325	4,565,130	5,766,193	6,682,438

Information about major customers:

There was no single customer that contributed 10% or more of the Group's revenue for each of the reporting periods.

7 REVENUE

(a) Disaggregation of revenue from contracts with customers

Revenue for each of the reporting period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Transferred at point in time:					
Ultra-high purity metal sputtering targets	1,672,566	2,333,453	2,849,933	1,325,137	1,670,744
Semiconductor precision components	570,121	886,702	1,083,879	458,794	645,038
Others	355,153	379,223	664,260	308,023	414,714
	2,597,840	3,599,378	4,598,072	2,091,954	2,730,496
Revenue from other sources:					
Rental income	3,769	5,585	6,029	2,738	6,814
	2,601,609	3,604,963	4,604,101	2,094,692	2,737,310

Revenue by geographical location, based on the location where the services were provided or the goods were delivered, for each of the reporting period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Chinese Mainland (country of domicile)	1,457,245	2,159,508	3,035,623	1,347,449	1,933,221
Others	1,144,364	1,445,455	1,568,478	747,243	804,089
	2,601,609	3,604,963	4,604,101	2,094,692	2,737,310

Contract liabilities

The Group's customer contracts are for the delivery of goods within the next 12 months from the respective contract inception and the Group had applied the practical expedient in paragraph 121(a) of IFRS 15 for not disclosing amount of transaction price allocated to the remaining performance obligations under the contracts.

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

The Group

As at 1 January 2023, 31 December 2023, 2024 and 2025 and 30 June 2026, the Group recognised contract liabilities of RMB1,286,000, RMB8,340,000, RMB8,697,000, RMB14,060,000, and RMB187,288,000, respectively.

The following table shows how much of the revenue recognised during each of the reporting period was included in the contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	1,286	8,340	8,697	8,697	14,060

The Group expects that the contract liabilities as at 31 December 2023, 2024 and 2025 and 30 June 2026 will be recognised as revenue within a year or less.

The Company

As at 1 January 2023, 31 December 2023, 2024 and 2025 and 30 June 2026, the Company recognised contract liabilities of RMB1,134,000, RMB1,055,000, RMB2,649,000, RMB3,359,000 and RMB23,027,000, respectively.

The following table shows how much of the revenue recognised during each of the reporting period was included in the contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	1,134	1,055	2,649	2,649	3,359

The Company expects that the contract liabilities as at 31 December 2023, 2024 and 2025 and 30 June 2026 will be recognised as revenue within a year or less.

8 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditor's remuneration	1,080	1,100	1,200	—	—
Cost of inventories	1,841,877	2,589,279	3,353,092	1,472,078	1,910,490
Write-down of inventories	60,495	108,063	97,936	76,261	129,564
Cost of inventories recognised as expenses	1,902,372	2,697,342	3,451,028	1,548,339	2,040,054
Depreciation of property, plant and equipment *(Note (a))*	124,623	167,719	235,584	100,857	170,441
Depreciation of investment properties *(Note (a))*	3,182	5,697	5,697	2,848	2,848
Depreciation of right-of-use assets *(Note (a))*	27,749	39,511	46,394	21,841	28,782
Amortisation of intangible assets *(Note (a))*	6,127	9,042	9,804	4,687	5,223
	161,681	221,969	297,479	130,233	207,294
Less: Capitalised in inventories	(100,810)	(145,309)	(206,796)	(99,406)	(150,238)
	60,871	76,660	90,683	30,827	57,056
Research and development expenses *(Note (b))*	171,765	217,290	262,053	118,987	158,955
Direct operating expenses arising from investment properties that generated rental income	3,182	5,697	5,697	2,848	2,848
Expenses relating to short-term leases	1,350	1,656	6,167	945	2,764
Employee-related expenses *(Note 9)*	378,179	509,511	676,516	291,851	408,429

Notes:

(a) Depreciation after capitalisation of the Group's property, plant and equipment, investment properties, right of use assets and intangible assets has been recognised as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of sales	3,182	5,697	5,697	2,848	2,848
Administrative expenses	45,649	55,195	61,440	18,844	40,604
Selling expenses	391	2,061	2,726	454	1,882
Research and development expenses	11,649	13,707	20,820	8,681	11,722
	60,871	76,660	90,683	30,827	57,056

(b) Research and development expenses mainly include amounts relating to employee benefit expenses, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances, bonus and benefits in kind	279,673	399,680	546,986	237,401	328,660
Contributions to defined contribution plans, housing funds, medical insurance and other social insurances *(Note (a))*	37,157	55,519	77,774	33,670	52,520
Equity-settled share-based payments *(Note 39(d))*	46,399	29,422	12,705	7,269	5,288
Other employee benefit expenses	14,950	24,890	39,051	13,511	21,961
	378,179	509,511	676,516	291,851	408,429

(a) Defined contribution plans, housing funds and other social insurances

The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's full-time employees in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government and liabilities in respect of benefits schemes are limited to the contribution payable in each period.

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various countries and regions other than the PRC. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

As at 31 December 2023, 2024 and 2025 and 30 June 2026, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023, 2024 and 2025, and the six months ended 30 June 2025 and 2026, include Nil, Nil, two, two and one directors respectively, whose emoluments are disclosed in Note 9(c). Details of the remuneration of the remaining individuals during the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances, bonus and benefits in kind	2,587	3,334	4,124	1,845	2,275
Contributions to defined contribution plans, housing funds, medical insurance and other social insurances	115	129	133	32	132
Equity-settled share-based payments	15,550	10,930	3,365	1,683	1,709
	18,252	14,393	7,622	3,560	4,116

The highest paid individuals fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(Unaudited)	
Emolument bands					
Nil to HK$1,000,000	—	—	—	1	1
HK$1,000,001 to HK$1,500,000	—	—	—	2	3
HK$1,500,001 to HK$2,000,000	—	—	1	—	—
HK$2,000,001 to HK$2,500,000	—	2	—	—	—
HK$2,500,001 to HK$3,000,000	1	1	2	—	—
HK$3,000,001 to HK$3,500,000	—	1	—	—	—
HK$3,500,001 to HK$4,000,000	1	—	—	—	—
HK$4,000,001 to HK$4,500,000	2	—	—	—	—
HK$4,500,001 to HK$5,000,000	—	1	—	—	—
HK$5,000,001 to HK$5,500,000	1	—	—	—	—
	5	5	3	3	4

(c) Details of emoluments in respect of the directors and supervisors of the Company

The emoluments in respect of each of the directors and supervisors paid/payable by the Group for the year ended 31 December 2023 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yao Lijun ("**Dr. Yao**")	—	968	—	168	1,136
Jie Pan *(Note (i))*	—	1,000	—	—	1,000
Qian Hongbing	—	500	—	17	517
Yu Yongqun	—	900	—	30	930
Bian Yijun *(Note (ii))*	—	—	—	—	—
Subtotal	—	3,368	—	215	3,583
Non-executive directors					
Xu Zhou	—	150	—	—	150
Wu Zuliang	—	150	—	—	150
Subtotal	—	300	—	—	300
Independent non-executive directors					
Fei Weidong	150	—	—	—	150
Liu Xiu	150	—	—	—	150
Zhang Jie	150	—	—	—	150
Subtotal	450	—	—	—	450
Supervisors					
Zhang Yingjun	—	50	—	—	50
Han Gang *(Note (iii))*	—	100	—	—	100
Wang Yu	—	100	—	—	100
Li Qiuli *(Note (iv))*	—	4	—	—	4
Subtotal	—	254	—	—	254
Total	450	3,922	—	215	4,587

The emoluments in respect of each of the directors and supervisors paid/payable by the Group for the year ended 31 December 2024 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yao	—	1,490	—	188	1,678
Qian Hongbing	—	800	—	19	819
Yu Yongqun	—	1,200	—	3	1,203
Bian Yijun	—	2,000	—	88	2,088
Subtotal	—	5,490	—	298	5,788
Non-executive directors					
Xu Zhou	—	150	—	—	150
Wu Zuliang	—	150	—	—	150
Subtotal	—	300	—	—	300
Independent non-executive directors					
Fei Weidong	150	—	—	—	150
Liu Xiu	150	—	—	—	150
Zhang Jie	150	—	—	—	150
Subtotal	450	—	—	—	450
Supervisors					
Zhang Yingjun	—	50	—	—	50
Wang Yu	—	100	—	—	100
Li Qiuli	—	100	—	—	100
Subtotal	—	250	—	—	250
Total	450	6,040	—	298	6,788

The emoluments in respect of each of the directors and supervisors paid/payable by the Group for the year ended 31 December 2025 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Dr. Yao *(Note (v))*	—	432	—	69	501
Qian Hongbing	—	800	—	35	835
Yu Yongqun	—	1,200	—	—	1,200
Bian Yijun	—	2,000	—	90	2,090
Yao Shun *(Note (vi))*	—	937	—	31	968
Subtotal	—	5,369	—	225	5,594
Non-executive directors					
Xu Zhou *(Note (viii))*	—	100	—	—	100
Wu Zuliang	—	150	—	—	150
Zheng Liding *(Note (vii))*	—	170	—	9	179
Subtotal	—	420	—	9	429
Independent non-executive directors					
Fei Weidong	150	—	—	—	150
Liu Xiu	150	—	—	—	150
Zhang Jie	150	—	—	—	150
Subtotal	450	—	—	—	450
Supervisors					
Zhang Yingjun	—	33	—	—	33
Wang Yu	—	67	—	—	67
Li Qiuli	—	67	—	—	67
Subtotal	—	167	—	—	167
Total	450	5,956	—	234	6,640

The emoluments in respect of each of the directors and supervisors paid/payable by the Group for the six months ended 30 June 2025 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement scheme contributions	Total
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Executive directors					
Dr. Yao *(Note (v))*	—	432	—	69	501
Qian Hongbing	—	400	—	17	417
Yu Yongqun	—	600	—	—	600
Bian Yijun	—	1,000	—	45	1,045
Yao Shun *(Note (vi))*	—	77	—	4	81
Subtotal	—	2,509	—	135	2,644
Non-executive directors					
Xu Zhou	—	75	—	—	75
Wu Zuliang	—	75	—	—	75
Subtotal	—	150	—	—	150
Independent non-executive directors					
Fei Weidong	75	—	—	—	75
Liu Xiu	75	—	—	—	75
Zhang Jie	75	—	—	—	75
Subtotal	225	—	—	—	225
Supervisors					
Zhang Yingjun	—	25	—	—	25
Wang Yu	—	50	—	—	50
Li Qiuli	—	50	—	—	50
Subtotal	—	125	—	—	125
Total	225	2,784	—	135	3,144

The emoluments in respect of each of the directors and supervisors paid/payable by the Group for the six months ended 30 June 2026 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Equity-settled share-based payments	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Qian Hongbing	—	400	5	18	423
Yu Yongqun	—	600	3	1	604
Bian Yijun	—	1,000	10	76	1,086
Yao Shun	—	207	26	35	268
Subtotal	—	2,207	44	130	2,381
Non-executive directors					
Wu Zuliang	—	75	—	—	75
Zheng Liding	—	123	3	33	159
Subtotal	—	198	3	33	234
Independent non-executive directors					
Fei Weidong	75	—	—	—	75
Liu Xiu	75	—	—	—	75
Zhang Jie	75	—	—	—	75
Subtotal	225	—	—	—	225
Total	225	2,405	47	163	2,840

Notes:

(i) Jie Pan resigned as the executive director on 17 December 2023.

(ii) Bian Yijun was appointed as the executive director on 18 December 2023.

(iii) Han Gang resigned as the supervisor on 17 December 2023.

(iv) Li Qiuli was appointed as the supervisor on 18 December 2023.

(v) Dr. Yao resigned as the executive director on 23 May 2025.

(vi) Yao Shun was appointed as the executive director on 9 June 2025.

(vii) Zheng Liding was appointed as the non-executive director on 28 August 2025.

(viii) Xu Zhou resigned as the non-executive director on 28 August 2025.

(ix) Pursuant to the 2025 third extraordinary general meeting on 2 August 2025, Shareholders approved a resolution that the Company would no longer set up the supervisory committee with effect from 28 August 2025, and the powers of the supervisory committee will be exercised by the Audit Committee.

(d) Directors' retirement benefits and termination benefits

No director's retirement or termination benefit subsisted at the end of each year/period or at any time during the Track Record Period.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of each year/period or at any time during the Track Record Period.

(f) Information about borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate and controlled entities with such directors

No borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors subsisted at the end of each year/period or at any time during the Track Record Period.

(g) Directors' material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of each year/period or at any time during the Track Record Period.

10 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants (including amortisation of deferred income) *(Note (a))*	38,740	31,478	52,011	22,801	19,410
Additional deduction for value-added tax ("**VAT**") *(Note (b))*	—	35,016	57,745	16,641	18,233
Dividend income *(Note (c))*	800	391	32	12	—
Others	52	9	97	59	168
	39,592	66,894	109,885	39,513	37,811

Notes:

(a) Government grants mainly represent financial subsidies received from local government authorities subject to specified conditions and the amortisation of deferred government grants. There were no unfulfilled conditions or other contingencies associated with the government grants recognised as at the end of each reporting period.

(b) Pursuant to the Announcement No. 17 [2023] "Notice on the Additional Value-Added Tax Deduction Policy for Integrated Circuit Enterprises (關於集成電路企業增值稅加計抵減政策的公告)" and Announcement No. 43 [2023] "Notice on the Additional Value-Added Tax ("**VAT**") Credit Deduction Policy for Advanced Manufacturing Enterprises (關於先進製造業企業增值稅加計抵減政策的公告)" issued in 2023 by the Ministry of Finance and the State Taxation Administration, the Group is eligible for a 15% and 5% additional VAT deduction based on deductible input VAT, respectively.

(c) Dividends are received from financial assets measured at FVTPL and financial assets measured at FVTOCI. Dividends are recognised when the right to receive payment is established in profit or loss, unless they clearly represent a recovery of part of the cost of an investment. The Group presents dividends recognised in profit or loss as "other income".

11 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Gain/(loss) on disposal of property, plant and equipment and intangible assets, net	95	(482)	(1,060)	—	156
Gain on lease modification	96	76	17	—	—
Gain on disposal and deemed disposal of investments in associates	38,484	25,535	102,193	96,654	69,085
Gain on disposal of subsidiaries *(Note 45)*	3,575	45,295	—	—	31,018
Gain on bargain purchases *(Note 44)*	1	—	—	—	—
Gain on remeasurement of previously held equity interest in associates	5,760	—	—	—	142,464
Change in fair value of financial assets at FVTPL	27,854	37,650	35,067	(5,641)	61,602
Exchange gains/(losses), net	19,987	19,017	(16,092)	83	(29,870)
	95,852	127,091	120,125	91,096	274,455

12 IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Trade receivables *(Note 27)*	13,292	24,893	13,632	5,304	22,043
Deposits and other receivables *(Note 41.1(b))*	3,855	1,915	(2,359)	(3,111)	280
	17,147	26,808	11,273	2,193	22,323

Details of impairment losses under ECL model are set out in Note 41.1(b) to the Historical Financial Information.

13 FINANCE COSTS, NET

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income:					
Bank interest income	25,207	20,416	20,803	9,521	10,693
	25,207	20,416	20,803	9,521	10,693
Finance costs:					
Interest expenses on bank borrowings	(25,201)	(50,068)	(80,800)	(38,571)	(52,278)
Interest expenses on lease liabilities *(Note 20)*	(2,514)	(3,649)	(3,414)	(1,608)	(1,953)
	(27,715)	(53,717)	(84,214)	(40,179)	(54,231)
Finance costs, net	(2,508)	(33,301)	(63,411)	(30,658)	(43,538)

14 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax	59,656	96,935	140,746	67,061	68,091
Deferred income tax *(Note 22)*	9,373	11,122	(1,579)	(6,512)	38,345
	69,029	108,057	139,167	60,549	106,436

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

PRC

In accordance with the Enterprise Income Tax Law ("**EIT Law**"), Foreign Investment Enterprises and domestic companies established in the PRC are subject to Enterprise Income Tax ("**EIT**") at a rate of 25%.

Besides, the Company and certain Group's subsidiaries are benefit from a preferential tax rate of 15% under the EIT Law if they are qualified as "High and New technology enterprises" under relevant regulations or located in applicable PRC regions, such as certain western regions and special economic zone, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the EIT Law and the related regulations.

Corporate income tax in other jurisdictions

Taxation arising from other jurisdictions, is calculated at the rate prevailing in the relevant jurisdictions.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	286,261	407,270	580,576	315,472	558,883
Tax calculated at applicable rate of 15% in the PRC	42,939	61,090	87,086	47,321	83,832
Tax effect of different tax rates	(22,406)	(28,713)	(41,815)	(18,141)	(39,067)
Under/(over) provision of current tax in prior years	12	4,354	151	(580)	(94)
Tax effect of non-taxable income	(536)	(4,063)	(6,708)	(3,935)	(2,074)
Tax effect of non-deductible expenses	9,817	6,914	2,557	6,885	3,346
Tax effect of tax losses not recognised	72,013	101,727	137,059	49,089	86,558
Tax effect of additional tax deduction for eligible research and development expense *(Note)*	(32,810)	(33,252)	(39,163)	(20,090)	(26,065)
Income tax expense	69,029	108,057	139,167	60,549	106,436

Note: According to the Announcement on Further Improving the Policy of Pre-tax Deduction of R&D Expenses (關於進一步完善研發費用稅前加計扣除政策的公告) (No. 7 2023) of the State Administration of Taxation of the Ministry of Finance, the Company and its PRC subsidiaries will be deducted before tax at 100% of the actual amount of research and development expenses incurred in research and development activities that do not form intangible assets and are recognised in the profit or loss when calculating the taxable income from 1 January 2023, and 200% of the cost of the intangible assets will be amortised before tax from 1 January 2023.

(b) Tax losses

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Group did not recognise deferred income tax assets in respect of losses of RMB500,288,000, RMB811,650,000, RMB1,365,097,000 and RMB1,570,705,000, respectively, because sufficient future profit streams are not probable of the related subsidiaries. The tax losses incurred from the Company's subsidiaries in the PRC that are not recognised as deferred tax assets will expire from 2024 to 2035. Tax losses of the Company's subsidiaries incorporated outside PRC will be carried forward in accordance with the tax rules of the respective jurisdictions. Deductible losses that are not recognised for deferred income tax assets will expire as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiry year				
2024	9,647	—	—	—
2025	31,885	22,338	—	—
2026	43,314	18,313	18,041	36,834
2027	127,373	54,442	54,332	74,439
2028	214,929	131,557	131,378	135,235
2029	13,896	272,450	248,894	237,505
2030	384	7,704	463,033	442,168
2031 and beyond	58,860	304,846	449,419	644,524
	500,288	811,650	1,365,097	1,570,705

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026 are calculated by dividing the profit for the respective years/period (excluding treasury shares and unvested restricted shares) attributable to owners of the Company by the weighted average number of ordinary shares in issue for the respective years/period.

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(Unaudited)	
Profit for the year/period attributable to owners of the Company *(RMB'000)*	252,270	426,099	526,612	274,742	519,744
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share *(thousand shares)*	265,463	264,469	264,302	264,302	273,176
Basic earnings per share *(RMB per share)*	0.95	1.61	1.99	1.04	1.90

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2026 were the same as basic earnings per share, as the effect of all potential ordinary shares arising from share options, restricted shares and share-based incentive schemes of subsidiaries was anti-dilutive during the Track Record Period.

16 SUBSIDIARIES

During the Track Record Period, the Company has direct or indirect interests in the following major subsidiaries.

Name of subsidiaries		Place of incorporation/ establishment and kind of legal entity	Authorised shares capital/ registered capital	As at 31 December 2023		As at 31 December 2024		As at 31 December 2025		As at 30 June 2026		Principal activities/ Place of operation	
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
江豐電子材料(香港)股份有限公司	Konfoong Materials (HK) Co., Limited	Hong Kong/ limited liability company	USD10,000	100.00%	–	100.00%	–	100.00%	–	100.00%	–	Trading and sales of metal sputtering targets and semiconductor precision components/Hong Kong	*Note (b)*
寧波江豐半導體科技有限公司	Konfoong Semiconductor Technology Co., Ltd.	The PRC/ limited liability company	RMB14.3 million	100.00%	–	100.00%	–	100.00%	–	100.00%	–	Production of metal sputtering targets/ The PRC	*Note (c)*
KFMI JAPAN 株式會社	KFMI JAPAN Co., Ltd.	Japan Stock Corporation/ Joint-Stock Company	JPY301 million	100.00%	–	100.00%	–	100.00%	–	100.00%	–	Trading and sales of metal sputtering targets/Japan	*Note (c)*
廣東江豐電子材料有限公司	Guangdong Konfoong Materials International Co., Ltd.	The PRC/ limited liability company	RMB177 million	100.00%	–	100.00%	–	100.00%	–	100.00%	–	R&D, production and sales of semiconductor precision components and metal sputtering targets/The PRC	*Note (b)*
寧波江豐熱等靜壓技術有限公司	Ningbo Konfoong Hot Isostatic Pressing Technology Co., Ltd.	The PRC/ limited liability company	RMB5 million	90.00%	–	90.00%	–	90.00%	–	90.00%	–	R&D and production of products and technologies related to hot isostatic pressing/The PRC	*Note (b)*
寧波江豐芯創科技有限公司	Ningbo Konfoong X-Creative International Co., Ltd	The PRC/ limited liability company	RMB11.1109 million	100.00%	–	–	75.00%	–	75.00%	–	75.00%	R&D, production and sales of semiconductor precision components/ The PRC	*Note (b)*
北京江豐電子材料有限公司	Beijing Konfoong Materials International Co., Ltd.	The PRC/ limited liability company	RMB331.6 million	100.00%	–	100.00%	–	100.00%	–	100.00%	–	R&D, production and sales of semiconductor precision components and sales of metal sputtering targets/ The PRC	*Note (b)*

Name of subsidiaries	Place of incorporation/ establishment and kind of legal entity	Authorised shares capital/ registered capital	As at 31 December 2023		As at 31 December 2024		As at 31 December 2025		As at 30 June 2026		Principal activities/ Place of operation	
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
武漢江豐電子材料有限公司	Wuhan Konfoong Materials Co., Ltd.	The PRC/ limited liability company	RMB277 million	100.00%	—	100.00%	—	100.00%	—	100.00%	—	Production and sales of metal sputtering targets/The PRC	*Note (b)*
上海睿昇半導體科技有限公司	Ruisheng Semicon Tech (Shanghai) Co., Ltd.	The PRC/ limited liability company	RMB16 million	60.00%	—	75.00%	—	75.00%	—	75.00%	—	R&D, production and sales of semiconductor precision components/ The PRC	*Note (b)*
嘉興江豐電子材料有限公司	Jiaxing Konfoong Electronic Materials Co., Ltd.	The PRC/ limited liability company	RMB180 million	100.00%	—	100.00%	—	100.00%	—	100.00%	—	Investment holding/The PRC	*Note (c)*
上海江豐電子材料有限公司	Shanghai Konfoong Materials Co., Ltd.	The PRC/limited liability company	RMB150 million	99.00%	1.00%	99.93%	0.07%	99.93%	0.07%	99.93%	0.07%	R&D, production and sales of metal sputtering targets and semiconductor precision components, and provision of technical services/The PRC	*Note (b)*
湖南江豐科技產業集團有限公司	Hunan Konfoong Technology Industry Group Co., Ltd.	The PRC/limited liability company	RMB100 million	100.00%	—	100.00%	—	100.00%	—	100.00%	—	Investment holding/The PRC	*Note (b)*
寧波晶磐電子材料有限公司	Ningbo Jingpan Electronic Materials Co., Ltd.	The PRC/limited liability company	RMB50 million	—	—	100.00%	—	100.00%	—	100.00%	—	R&D, production and sales of electrostatic chucks/The PRC	*Note (c), (d)*
KFAM CO., LTD	KFAM CO., LTD.	South Korea / Joint-Stock Company	KRW1.215 billion	—	100.00%	—	100.00%	—	100.00%	—	100.00%	Proposed production and sales of metal sputtering targets/South Korea	*Note (c)*

Notes:

(a) The English names of the PRC companies are direct translation or transliteration of their Chinese registered names.

(b) The statutory financial statements of these companies for the years ended 31 December 2023, 2024 and 2025 were audited. The statutory auditors of these subsidiaries are set out below:

	Name of statutory auditors		
Name of Subsidiaries	**2023**	**2024**	**2025**
Konfoong Materials (HK) Co., Limited	JFU CPA	TC-Professional CPA Limited	TC-Professional CPA Limited
Konfoong Semiconductor Technology Co., Ltd.	N/A	N/A	N/A
KFMI JAPAN Co., Ltd.	N/A *(Note c)*	N/A *(Note c)*	N/A *(Note c)*
Ningbo Konfoong Hot Isostatic Pressing Technology Co., Ltd.	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP	Taihang Kangfeng (Hangzhou) Certified Public Accountants
Guangdong Konfoong Materials International Co., Ltd.	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP	N/A
Ningbo Konfoong X-Creative International Co., Ltd.	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
Beijing Konfoong Materials International Co., Ltd.	BDO China Shu Lun Pan Certified Public Accountants LLP	N/A	N/A
Wuhan Konfoong Materials Co., Ltd.	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP	N/A
Ruisheng Semicon Tech (Shanghai) Co., Ltd.	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
Jiaxing Konfoong Electronic Materials Co., Ltd.	N/A	N/A	N/A
Shanghai Konfoong Materials Co., Ltd.	N/A	BDO China Shu Lun Pan Certified Public Accountants LLP	N/A
Hunan Konfoong Technology Industry Group Co., Ltd.	N/A	BDO China Shu Lun Pan Certified Public Accountants LLP	Taihang Kangfeng (Hangzhou) Certified Public Accountants
Ningbo Jingpan Electronic Materials Co., Ltd.	N/A	N/A	N/A
KFAM CO., LTD.	N/A *(Note c)*	N/A *(Note c)*	N/A *(Note c)*

(c) No audited financial statements have been issued for these companies as there is no statutory audit requirement in their place of incorporation.

(d) These subsidiaries were incorporated during the year ended 31 December 2024.

(e) The above table lists out the subsidiaries of the Company which, in opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group.

Investment in subsidiaries of the Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in subsidiaries	1,243,130	1,518,594	1,675,010	2,617,890
Less: allowance for impairment of investment in subsidiaries	(19,724)	(19,724)	—	—
	1,223,406	1,498,870	1,675,010	2,617,890

17 INVESTMENTS IN ASSOCIATES

The Group

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	225,363	270,648	427,157	453,091
Addition	85,000	100,000	—	—
Disposals	(14,167)	—	(4,915)	(8,716)
Share of net (loss)/profit of associates	(23,217)	(7,711)	7,314	33,859
Dividends	—	—	(3,638)	(279)
Deemed disposal	2,652	25,535	27,173	17,483
Subsidiaries become associates *(Note 45)*	3,662	38,685	—	400,000
Associates become a subsidiary *(Note 44)*	(8,645)	—	—	—
Associates become financial assets at FVTPL	—	—	—	(19,481)
At the end of the year/period	270,648	427,157	453,091	875,957

The Company

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	217,813	269,778	415,548	451,938
Addition	85,000	100,000	—	—
Disposals	(14,167)	—	(4,915)	(8,480)
Share of net (loss)/profit of associates	(23,430)	(4,970)	17,615	33,782
Dividends	—	—	(3,638)	(279)
Deemed disposal	2,652	25,535	27,328	17,564
Subsidiaries become associates	1,910	25,205	—	394,937
Associates become financial assets at FVTPL	—	—	—	(19,481)
At the end of the year/period	269,778	415,548	451,938	869,981

The Group has discontinued recognition of its share of losses of certain associates because the share of losses exceeded the carrying amount of the Group's interests in those associates and the Group has no obligation to make good those losses. For the year ended 31 December 2023, 2024 and 2025 and for the six months ended 30 June 2026, the unrecognised share of loss was approximately RMB391,000, RMB13,649,000, RMB16,647,000 and RMB6,339,000, respectively. As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Group's cumulative unrecognised share of losses in aggregate of approximately RMB391,000, RMB14,040,000 and RMB51,691,000 and RMB58,030,000, respectively.

In the opinion of the directors, as at 31 December 2023, 2024, 2025 and 30 June 2026, no investments in associate are material to the Group and the Company.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates are shown in aggregate as below:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Aggregate carrying amount of individually immaterial associates	270,648	427,157	453,091	453,091	875,957
Aggregate amounts of the Group's share of:					
(Loss)/profit from operations	(23,217)	(7,711)	7,314	(1,722)	33,859

There are no commitment or contingent liabilities relating to the Group and the Company's interest in the associates.

18 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023							
Cost	454,550	645,659	16,597	90,249	146,554	335,284	1,688,893
Accumulated depreciation	(82,068)	(241,179)	(8,210)	(59,906)	(55,251)	—	(446,614)
Net carrying amount	372,482	404,480	8,387	30,343	91,303	335,284	1,242,279
Year ended 31 December 2023							
Opening net carrying amount	372,482	404,480	8,387	30,343	91,303	335,284	1,242,279
Additions	—	28,944	3,853	16,284	98,114	925,534	1,072,729
Acquisition of a subsidiary *(Note 44)*	—	31,082	6	1,450	8,677	11,850	53,065
Disposals	—	(14,495)	(3)	(335)	(7,787)	—	(22,620)
Disposal of subsidiaries *(Note 45)*	—	(22,179)	(89)	(2,047)	(7,544)	(7,409)	(39,268)
Depreciation	(23,940)	(46,327)	(4,139)	(11,372)	(38,845)	—	(124,623)
Transfer from/(to) CIP	169,230	128,544	—	6,183	10,674	(314,631)	—
Transfer to investment properties	(38,887)	—	—	—	—	—	(38,887)
Closing net carrying amount	478,885	510,049	8,015	40,506	154,592	950,628	2,142,675
As at 31 December 2023 and 1 January 2024							
Cost	589,119	788,320	20,128	110,557	257,562	950,628	2,716,314
Accumulated depreciation	(110,234)	(278,271)	(12,113)	(70,051)	(102,970)	—	(573,639)
Net carrying amount	478,885	510,049	8,015	40,506	154,592	950,628	2,142,675

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024							
Opening net carrying amount	478,885	510,049	8,015	40,506	154,592	950,628	2,142,675
Additions	—	46,265	7,767	23,757	85,428	1,456,931	1,620,148
Disposals	—	(1,937)	(100)	(559)	—	—	(2,596)
Disposal of subsidiaries *(Note 45)*	—	(53,492)	(417)	(2,475)	(19,253)	(8,765)	(84,402)
Depreciation	(25,717)	(70,442)	(4,526)	(16,368)	(50,666)	—	(167,719)
Transfer from/(to) CIP	18,818	352,183	—	16,473	5,015	(392,489)	—
Transfer to investment properties	(47,625)	—	—	—	—	—	(47,625)
Closing net carrying amount	424,361	782,626	10,739	61,334	175,116	2,006,305	3,460,481
As at 31 December 2024 and 1 January 2025							
Cost	556,876	1,123,582	26,529	145,977	300,825	2,006,305	4,160,094
Accumulated depreciation	(132,515)	(340,956)	(15,790)	(84,643)	(125,709)	—	(699,613)
Net carrying amount	424,361	782,626	10,739	61,334	175,116	2,006,305	3,460,481

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2025							
Opening net carrying amount	424,361	782,626	10,739	61,334	175,116	2,006,305	3,460,481
Additions	34,268	253,051	5,152	13,922	34,891	891,195	1,232,479
Disposals	—	(5,408)	(1,177)	(2,153)	—	—	(8,738)
Depreciation	(40,921)	(98,725)	(14,276)	(23,640)	(58,022)	—	(235,584)
Transfer from/(to) CIP	997,259	399,816	—	68,832	2,749	(1,468,656)	—
Exchange difference	—	—	25	—	—	—	25
Closing net carrying amount	1,414,967	1,331,360	463	118,295	154,734	1,428,844	4,448,663
As at 31 December 2025 and 1 January 2026							
Cost	1,588,403	1,767,746	30,339	225,276	278,965	1,428,844	5,319,573
Accumulated depreciation	(173,436)	(436,386)	(29,876)	(106,981)	(124,231)	—	(870,910)
Net carrying amount	1,414,967	1,331,360	463	118,295	154,734	1,428,844	4,448,663

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2026							
Opening net carrying amount	1,414,967	1,331,360	463	118,295	154,734	1,428,844	4,448,663
Additions	—	27,342	1,755	8,290	21,779	605,797	664,963
Disposals	—	(406)	—	(2)	(44)	—	(452)
Disposal of subsidiaries *(Note 45)*	(105,144)	(55,465)	(263)	(7,247)	(881)	(19,111)	(188,111)
Depreciation	(37,478)	(84,409)	(485)	(17,611)	(30,458)	—	(170,441)
Transfer from/(to) CIP	86,695	135,365	—	54,338	13	(276,411)	—
Exchange difference	—	—	74	—	—	—	74
Closing net carrying amount	1,359,040	1,353,787	1,544	156,063	145,143	1,739,119	4,754,696
As at 30 June 2026							
Cost	1,546,114	1,835,963	30,953	263,346	374,448	1,739,119	5,789,943
Accumulated depreciation	(187,074)	(482,176)	(29,409)	(107,283)	(229,305)	—	(1,035,247)
Net carrying amount	1,359,040	1,353,787	1,544	156,063	145,143	1,739,119	4,754,696

The Company

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvement	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023							
Cost	209,308	476,829	12,444	63,797	120,561	50,433	933,372
Accumulated depreciation	(62,728)	(204,873)	(5,690)	(48,725)	(63,658)	—	(385,674)
Net carrying amount	146,580	271,956	6,754	15,072	56,903	50,433	547,698
Year ended 31 December 2023							
Opening net carrying amount	146,580	271,956	6,754	15,072	56,903	50,433	547,698
Additions	—	207	775	1,815	6,278	298,979	308,054
Disposals	—	(19,315)	(88)	(282)	(8,549)	—	(28,234)
Depreciation	(10,185)	(29,456)	(2,085)	(4,967)	(19,290)	—	(65,983)
Transfer from investment properties	4,827	—	—	—	—	—	4,827
Transfer from/(to) CIP	—	28,495	—	3,044	4,949	(36,488)	—
Closing net carrying amount	141,222	251,887	5,356	14,682	40,291	312,924	766,362
As at 31 December 2023 and 1 January 2024							
Cost	217,163	476,556	13,035	67,885	102,912	312,924	1,190,475
Accumulated depreciation	(75,941)	(224,669)	(7,679)	(53,203)	(62,621)	—	(424,113)
Net carrying amount	141,222	251,887	5,356	14,682	40,291	312,924	766,362

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024							
Opening net carrying amount	141,222	251,887	5,356	14,682	40,291	312,924	766,362
Additions	—	18	871	—	3,650	464,030	468,569
Disposals	—	(6,088)	—	(358)	—	—	(6,446)
Depreciation	(10,185)	(30,148)	(2,063)	(5,063)	(14,945)	—	(62,404)
Transfer from/(to) CIP	—	42,094	—	3,941	—	(46,035)	—
Closing net carrying amount	131,037	257,763	4,164	13,202	28,996	730,919	1,166,081
As at 31 December 2024 and 1 January 2025							
Cost	217,163	510,723	13,906	70,939	93,131	730,919	1,636,781
Accumulated depreciation	(86,126)	(252,960)	(9,742)	(57,737)	(64,135)	—	(470,700)
Net carrying amount	131,037	257,763	4,164	13,202	28,996	730,919	1,166,081
Year ended 31 December 2025							
Opening net carrying amount	131,037	257,763	4,164	13,202	28,996	730,919	1,166,081
Additions	—	18	1,686	184	216	361,597	363,701
Disposals	—	(18,627)	—	—	—	—	(18,627)
Depreciation	(10,185)	(34,507)	(1,923)	(5,182)	(12,578)	—	(64,375)
Transfer from/(to) CIP	234,099	256,507	—	9,574	—	(500,180)	—
Closing net carrying amount	354,951	461,154	3,927	17,778	16,634	592,336	1,446,780
As at 31 December 2025 and 1 January 2026							
Cost	451,263	744,493	15,593	79,733	85,747	592,336	1,969,165
Accumulated depreciation	(96,312)	(283,339)	(11,666)	(61,955)	(69,113)	—	(522,385)
Net carrying amount	354,951	461,154	3,927	17,778	16,634	592,336	1,446,780

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2026							
Opening net carrying amount	354,951	461,154	3,927	17,778	16,634	592,336	1,446,780
Additions	—	—	—	—	672	270,235	270,907
Depreciation	(10,519)	(26,860)	(1,041)	(2,948)	(5,251)	—	(46,619)
Transfer from/(to) CIP	85,323	49,841	266	30,619	—	(166,049)	—
Closing net carrying amount	429,755	484,135	3,152	45,449	12,055	696,522	1,671,068
As at 30 June 2026							
Cost	536,586	794,334	15,859	110,352	78,789	696,522	2,232,442
Accumulated depreciation	(106,831)	(310,199)	(12,707)	(64,903)	(66,734)	—	(561,374)
Net carrying amount	429,755	484,135	3,152	45,449	12,055	696,522	1,671,068

(a) Certain property, plant and equipment as at 31 December 2023, 2024 and 2025 and 30 June 2026 respectively were pledged to secure bank borrowing and facilities granted to the Group and the Company (Note 46).

19 INVESTMENT PROPERTIES

The Group

	RMB'000
As at 1 January 2023	
Cost	36,297
Accumulated depreciation	(8,189)
Net carrying amount	28,108
Year ended 31 December 2023	
Opening net carrying amount	28,108
Transfer from property, plant and equipment and right-of-use assets	39,759
Depreciation	(3,182)
Closing net carrying amount	64,685
As at 31 December 2023 and 1 January 2024	
Cost	70,924
Accumulated depreciation	(6,239)
Net carrying amount	64,685
Year ended 31 December 2024	
Opening net carrying amount	64,685
Transfer from property, plant and equipment and right-of-use assets	51,470
Depreciation	(5,697)
Closing net carrying amount	110,458
As at 31 December 2024 and 1 January 2025	
Cost	126,272
Accumulated depreciation	(15,814)
Net carrying amount	110,458
Year ended 31 December 2025	
Opening net carrying amount	110,458
Depreciation	(5,697)
Closing net carrying amount	104,761
As at 31 December 2025 and 1 January 2026	
Cost	126,272
Accumulated depreciation	(21,511)
Net carrying amount	104,761

	RMB'000
Six months ended 30 June 2026	
Opening net carrying amount	104,761
Depreciation	(2,848)
Closing net carrying amount	101,913
As at 30 June 2026	
Cost	126,272
Accumulated depreciation	(24,359)
Net carrying amount	101,913

The Company

	RMB'000
As at 1 January 2023	
Cost	42,637
Accumulated depreciation	(15,245)
Net carrying amount	27,392
Year ended 31 December 2023	
Opening net carrying amount	27,392
Transfer to property, plant and equipment and right-of-use assets	(5,451)
Depreciation	(1,371)
Closing net carrying amount	20,570
As at 31 December 2023 and 1 January 2024	
Cost	33,882
Accumulated depreciation	(13,312)
Net carrying amount	20,570
Year ended 31 December 2024	
Opening net carrying amount	20,570
Depreciation	(1,371)
Closing net carrying amount	19,199
As at 31 December 2024 and 1 January 2025	
Cost	33,882
Accumulated depreciation	(14,683)
Net carrying amount	19,199
Year ended 31 December 2025	
Opening net carrying amount	19,199
Depreciation	(1,371)
Closing net carrying amount	17,828

	RMB'000
As at 31 December 2025 and 1 January 2026	
Cost	33,882
Accumulated depreciation	(16,054)
Net carrying amount	17,828
Six months ended 30 June 2026	
Opening net carrying amount	17,828
Depreciation	(685)
Closing net carrying amount	17,143
As at 30 June 2026	
Cost	33,882
Accumulated depreciation	(16,739)
Net carrying amount	17,143

Notes:

(i) The fair value of investment properties has been determined by management with the assistance of an independent professionally qualified valuer to be RMB85,908,000, RMB115,865,000, RMB107,638,000 and RMB110,768,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively.

All the Group's investment properties are located in the PRC and are held to earn rental income. The fair value measurement of the Group's investment properties is categorised within Level 3 of the fair value hierarchy. The fair value was determined by taking into account the net rental income derived from existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised at appropriate capitalisation rates.

The fair value measurement is based on the properties highest and best use, which does not differ from their actual use.

(ii) The Group and the Company leases out investment properties under operating leases. The leases typically run for an initial period of 1 year.

(iii) Certain investment properties as at 31 December 2023, 2024 and 2025 and 30 June 2026 respectively were pledged to secure bank borrowing and facilities granted to the Group and the Company (Note 46).

20 LEASES

(a) Amounts recognised in the statements of financial positions of the Group and the Company

The statements of financial positions show the following amounts relating to leases:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Buildings	58,422	76,445	84,813	115,936
Land use right	410,894	409,416	423,290	407,454
	469,316	485,861	508,103	523,390
Lease liabilities				
Current	23,580	33,738	37,790	42,057
Non-current	34,496	43,208	47,774	83,491
	58,076	76,946	85,564	125,548

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Buildings	3,510	974	3,003	2,627
Land use right	134,319	131,433	128,546	127,103
	137,829	132,407	131,549	129,730
Lease liabilities				
Current	5,116	3,132	3,420	3,808
Non-current	9,178	6,046	5,254	4,879
	14,294	9,178	8,674	8,687

Note:

(i) Certain land use rights as at 31 December 2023, 2024 and 2025 and 30 June 2026 respectively were pledged to secure bank borrowing and facilities granted to the Group (Note 46).

(b) Amounts recognised in the statements of profit or loss and other comprehensive income of the Group

The statements of profit or loss and other comprehensive income show the following amounts relating to leases:

The Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation of right-of-use assets *(Note 8)*	27,749	39,511	46,394	21,841	28,782
Interest expenses *(Note 13)*	2,514	3,649	3,414	1,608	1,953
Expense relating to short-term leases *(Note 8)*	1,350	1,656	6,167	945	2,764

(c) The Group's leasing activities and how these are accounted for

(i) Buildings:

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

The leases with independent third parties and related party have an initial period of non-cancellable leases between 1 year and 5 years.

(ii) Land use right:

The Group is the registered owner of the land use rights. The land use rights have an initial period of lease term of 50 years. Lump sum payment has made upfront to acquire the land.

Movement of right-of-use assets

The Group

	Buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023			
Cost	63,812	392,577	456,389
Accumulated depreciation	(20,742)	(13,430)	(34,172)
Net carrying amount	43,070	379,147	422,217
Year ended 31 December 2023			
Opening net carrying amount	43,070	379,147	422,217
Additions	39,301	41,230	80,531
Acquisition of a subsidiary *(Note 44)*	11,846	—	11,846
Disposal of subsidiaries *(Note 45)*	(1,023)	—	(1,023)
Depreciation	(19,138)	(8,611)	(27,749)
Transfer to investment properties	—	(872)	(872)
Lease modification	(15,634)	—	(15,634)
Closing net carrying amount	58,422	410,894	469,316
As at 31 December 2023 and 1 January 2024			
Cost	101,725	433,840	535,565
Accumulated depreciation	(43,303)	(22,946)	(66,249)
Net carrying amount	58,422	410,894	469,316
Year ended 31 December 2024			
Opening net carrying amount	58,422	410,894	469,316
Additions	51,504	34,050	85,554
Disposal of subsidiaries *(Note 45)*	(639)	(23,112)	(23,751)
Depreciation	(30,940)	(8,571)	(39,511)
Transfer to investment properties	—	(3,845)	(3,845)
Lease modification	(1,902)	—	(1,902)
Closing net carrying amount	76,445	409,416	485,861
As at 31 December 2024 and 1 January 2025			
Cost	139,322	439,059	578,381
Accumulated depreciation	(62,877)	(29,643)	(92,520)
Net carrying amount	76,445	409,416	485,861

	Buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2025			
Opening net carrying amount	76,445	409,416	485,861
Additions	45,011	24,085	69,096
Depreciation	(36,183)	(10,211)	(46,394)
Lease modification	(460)	—	(460)
Closing net carrying amount	84,813	423,290	508,103
As at 31 December 2025 and 1 January 2026			
Cost	181,419	463,144	644,563
Accumulated depreciation	(96,606)	(39,854)	(136,460)
Net carrying amount	84,813	423,290	508,103
Six months ended 30 June 2026			
Opening net carrying amount	84,813	423,290	508,103
Additions	55,285	—	55,285
Disposal of subsidiaries *(Note 45)*	—	(11,216)	(11,216)
Depreciation	(24,162)	(4,620)	(28,782)
Closing net carrying amount	115,936	407,454	523,390
As at 30 June 2026			
Cost	205,982	450,075	656,057
Accumulated depreciation	(90,046)	(42,621)	(132,667)
Net carrying amount	115,936	407,454	523,390

The Company

	Buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023			
Cost	6,598	142,311	148,909
Accumulated depreciation	(2,240)	(5,730)	(7,970)
Net carrying amount	4,358	136,581	140,939
Year ended 31 December 2023			
Opening net carrying amount	4,358	136,581	140,939
Additions	15,603	—	15,603
Depreciation	(2,598)	(2,886)	(5,484)
Transfer from investment properties	—	624	624
Lease modification	(13,853)	—	(13,853)
Closing net carrying amount	3,510	134,319	137,829

	Buildings	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2023 and 1 January 2024			
Cost	8,132	143,211	151,343
Accumulated depreciation	(4,622)	(8,892)	(13,514)
Net carrying amount	3,510	134,319	137,829
Year ended 31 December 2024			
Opening net carrying amount	3,510	134,319	137,829
Depreciation	(634)	(2,886)	(3,520)
Lease modification	(1,902)	—	(1,902)
Closing net carrying amount	974	131,433	132,407
As at 31 December 2024 and 1 January 2025			
Cost	2,387	143,211	145,598
Accumulated depreciation	(1,413)	(11,778)	(13,191)
Net carrying amount	974	131,433	132,407
Year ended 31 December 2025			
Opening net carrying amount	974	131,433	132,407
Additions	3,104	—	3,104
Depreciation	(727)	(2,887)	(3,614)
Lease modification	(348)	—	(348)
Closing net carrying amount	3,003	128,546	131,549
As at 31 December 2025 and 1 January 2026			
Cost	3,669	143,211	146,880
Accumulated depreciation	(666)	(14,665)	(15,331)
Net carrying amount	3,003	128,546	131,549
Six months ended 30 June 2026			
Opening net carrying amount	3,003	128,546	131,549
Depreciation	(376)	(1,443)	(1,819)
Closing net carrying amount	2,627	127,103	129,730
As at 30 June 2026			
Cost	3,669	143,211	146,880
Accumulated depreciation	(1,042)	(16,108)	(17,150)
Net carrying amount	2,627	127,103	129,730

Movement of lease liabilities

The Group

	Total
	RMB'000
At 1 January 2023	41,017
Additions	39,301
Acquisition of a subsidiary *(Note 44)*	11,588
Disposal of subsidiaries *(Note 45)*	(1,077)
Interest expenses *(Note 13)*	2,514
Lease modification	(15,730)
Payments	(19,537)
At 31 December 2023 and 1 January 2024	58,076
Additions	51,504
Disposal of subsidiaries *(Note 45)*	(283)
Interest expenses *(Note 13)*	3,649
Lease modification	(1,978)
Payments	(34,022)
At 31 December 2024 and 1 January 2025	76,946
Additions	45,011
Interest expenses *(Note 13)*	3,414
Lease modification	(477)
Payments	(39,330)
At 31 December 2025 and 1 January 2026	85,564
Additions	55,285
Interest expenses *(Note 13)*	1,953
Payments	(17,254)
At 30 June 2026	125,548

The Company

	Total
	RMB'000
At 1 January 2023	4,394
Additions	15,603
Interest expenses	241
Lease modification	(804)
Payments	(5,140)
At 31 December 2023 and 1 January 2024	14,294
Interest expenses	513
Lease modification	(1,978)
Payments	(3,651)
At 31 December 2024 and 1 January 2025	9,178
Additions	3,104
Interest expenses	437
Lease modification	(371)
Payments	(3,674)
At 31 December 2025 and 1 January 2026	8,674
Interest expenses	171
Payments	(158)
At 30 June 2026	8,687

The total cash outflow for leases of the Group for the year ended 31 December 2023, 2024, 2025 and 30 June 2026 was RMB62,117,000, RMB69,728,000, RMB69,582,000 and RMB20,018,000, respectively.

(d) Extension and termination options

Extension and termination options are included in a number of properties lease for own use across the Group. These are used to maximise operational flexibility in terms of managing assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the mutual agreement between the Group and the respective lessors.

21 INTANGIBLE ASSETS

The Group

	Software	Patents	Non-patent technologies	Vehicle licenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023					
Cost	17,816	3,038	9,800	154	30,808
Accumulated amortisation	(11,930)	(2,622)	(2,329)	(13)	(16,894)
Net carrying amount	5,886	416	7,471	141	13,914
Year ended 31 December 2023					
Opening net carrying amount	5,886	416	7,471	141	13,914
Additions — externally acquired	5,590	—	2,200	—	7,790
Additions — internal development	—	647	—	—	647
Acquisition of a subsidiary *(Note 44)*	—	9,916	—	—	9,916
Disposal	(99)	—	—	—	(99)
Disposal of subsidiaries *(Note 45)*	(2)	(36)	—	—	(38)
Amortisation	(2,292)	(867)	(2,938)	(30)	(6,127)
Closing net carrying amount	9,083	10,076	6,733	111	26,003
As at 31 December 2023 and 1 January 2024					
Cost	23,296	13,529	12,000	154	48,979
Accumulated amortisation	(14,213)	(3,453)	(5,267)	(43)	(22,976)
Net carrying amount	9,083	10,076	6,733	111	26,003
Year ended 31 December 2024					
Opening net carrying amount	9,083	10,076	6,733	111	26,003
Additions — externally acquired	6,904	73	—	155	7,132
Additions — internal development	—	875	—	—	875
Disposal of a subsidiary *(Note 45)*	(354)	—	—	—	(354)
Amortisation	(3,471)	(2,511)	(3,000)	(60)	(9,042)
Closing net carrying amount	12,162	8,513	3,733	206	24,614
As at 31 December 2024 and 1 January 2025					
Cost	29,728	14,477	12,000	309	56,514
Accumulated amortisation	(17,566)	(5,964)	(8,267)	(103)	(31,900)
Net carrying amount	12,162	8,513	3,733	206	24,614
Year ended 31 December 2025					
Opening net carrying amount	12,162	8,513	3,733	206	24,614
Additions — externally acquired	4,155	—	—	279	4,434
Additions — internal development	—	746	—	—	746
Disposal	(14)	(31)	—	—	(45)
Amortisation	(4,630)	(2,560)	(2,500)	(114)	(9,804)
Closing net carrying amount	11,673	6,668	1,233	371	19,945

	Software	Patents	Non-patent technologies	Vehicle licenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025 and 1 January 2026					
Cost	33,869	15,181	12,000	588	61,638
Accumulated amortisation	(22,196)	(8,513)	(10,767)	(217)	(41,693)
Net carrying amount	11,673	6,668	1,233	371	19,945
Six months ended 30 June 2026					
Opening net carrying amount	11,673	6,668	1,233	371	19,945
Additions — externally acquired	5,744	—	—	131	5,875
Additions — internal development	—	2,388	—	—	2,388
Disposal	—	(5)	—	—	(5)
Disposal of subsidiaries *(Note 45)*	—	(174)	—	—	(174)
Amortisation	(2,958)	(1,488)	(708)	(69)	(5,223)
Closing net carrying amount	14,459	7,389	525	433	22,806
As at 30 June 2026					
Cost	39,613	16,993	12,000	719	69,325
Accumulated amortisation	(25,154)	(9,604)	(11,475)	(286)	(46,519)
Net carrying amount	14,459	7,389	525	433	22,806

The Company

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023			
Cost	17,184	2,805	19,989
Accumulated amortisation	(11,744)	(2,342)	(14,086)
Net carrying amount	5,440	463	5,903
Year ended 31 December 2023			
Opening net carrying amount	5,440	463	5,903
Additions — externally acquired	4,605	—	4,605
Additions — internal development	—	442	442
Disposals	(99)	(101)	(200)
Amortisation	(2,015)	(243)	(2,258)
Closing net carrying amount	7,931	561	8,492
As at 31 December 2023 and 1 January 2024			
Cost	21,690	3,137	24,827
Accumulated amortisation	(13,759)	(2,576)	(16,335)
Net carrying amount	7,931	561	8,492

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2024			
Opening net carrying amount	7,931	561	8,492
Additions — externally acquired	5,459	—	5,459
Additions — internal development	—	500	500
Amortisation	(2,965)	(321)	(3,286)
Closing net carrying amount	10,425	740	11,165
As at 31 December 2024 and 1 January 2025			
Cost	27,149	3,637	30,786
Accumulated amortisation	(16,724)	(2,897)	(19,621)
Net carrying amount	10,425	740	11,165
Year ended 31 December 2025			
Opening net carrying amount	10,425	740	11,165
Additions — externally acquired	2,379	—	2,379
Additions — internal development	—	438	438
Disposals	(13)	—	(13)
Amortisation	(3,836)	(310)	(4,146)
Closing net carrying amount	8,955	868	9,823
As at 31 December 2025 and 1 January 2026			
Cost	29,515	4,075	33,590
Accumulated amortisation	(20,560)	(3,207)	(23,767)
Net carrying amount	8,955	868	9,823
Six months ended 30 June 2026			
Opening net carrying amount	8,955	868	9,823
Additions — externally acquired	1,865	—	1,865
Additions — internal development	—	105	105
Disposals	—	(6)	(6)
Amortisation	(2,215)	(214)	(2,429)
Closing net carrying amount	8,605	753	9,358
As at 30 June 2026			
Cost	31,381	4,174	35,555
Accumulated amortisation	(22,776)	(3,421)	(26,197)
Net carrying amount	8,605	753	9,358

22 DEFERRED TAX ASSETS/LIABILITIES

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	71,700	67,264	78,763	92,923
Set-off with deferred tax liabilities pursuant to set-off provision	(46,646)	(39,830)	(55,594)	(82,643)
	25,054	27,434	23,169	10,280
Deferred tax liabilities	48,864	46,869	57,422	116,557
Set-off with deferred tax assets pursuant to set-off provision	(46,646)	(39,830)	(55,594)	(82,643)
	2,218	7,039	1,828	33,914

The following is a summary of the deferred tax balances of the Company for financial reporting purposes:

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	44,628	56,621	59,955	61,226
Set-off with deferred tax liabilities pursuant to set-off provision	(23,864)	(20,918)	(28,141)	(61,226)
	20,764	35,703	31,814	—
Deferred tax liabilities	23,864	20,918	28,141	81,373
Set-off with deferred tax assets pursuant to set-off provision	(23,864)	(20,918)	(28,141)	(61,226)
	—	—	—	20,147

The followings are the major deferred tax assets and liabilities recognised and movements thereon before offsetting during each of the reporting period:

The Group

DEFERRED TAX ASSETS	Expected credit losses	Inventories written down	Others	Unused tax losses	Government grants	Lease liabilities	Share-based payments	Unrealised profit on intra-group transactions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	2,890	3,820	1,944	16,713	9,674	—	11,823	3,223	50,087
Acquisition of a subsidiary *(Note 44)*	453	—	—	5,651	565	2,897	—	—	9,566
Disposals of subsidiaries *(Note 45)*	(291)	(131)	—	(957)	—	(241)	—	—	(1,620)
Credit/(charged) to equity	—	—	—	—	—	—	432	—	432
Credit/(charged) to profit or loss *(Note 14(a))*	4,490	2,622	1,970	191	631	9,039	(6,502)	794	13,235
As at 31 December 2023 and 1 January 2024	7,542	6,311	3,914	21,598	10,870	11,695	5,753	4,017	71,700
Credit/(charged) to equity	—	—	—	—	—	—	8,521	—	8,521
Credit/(charged) to profit or loss *(Note 14(a))*	888	1,704	(519)	(7,802)	(1,154)	1,983	(10,677)	2,620	(12,957)
As at 31 December 2024 and 1 January 2025	8,430	8,015	3,395	13,796	9,716	13,678	3,597	6,637	67,264
Credit/(charged) to equity	—	—	—	—	—	—	(633)	—	(633)
Credit/(charged) to profit or loss *(Note 14(a))*	6,567	1,787	(1,631)	203	5,262	3,230	(2,964)	(322)	12,132
As at 31 December 2025 and 1 January 2026	14,997	9,802	1,764	13,999	14,978	16,908	—	6,315	78,763
Disposals of subsidiaries *(Note 45)*	(1,512)	(5,118)	—	—	—	—	—	—	(6,630)
Credit/(charged) to profit or loss *(Note 14(a))*	(1,223)	6,656	90	8,601	1,580	5,882	—	(796)	20,790
As at 30 June 2026	12,262	11,340	1,854	22,600	16,558	22,790	—	5,519	92,923

DEFERRED TAX LIABILITIES	Depreciation	Withholding tax on undistributed dividends	Fair value change of financial assets at FVTPL	Fair value change of financial assets at FVTOCI	Right-of-use assets	Fair value adjustments through business combination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	14,045	4,412	3,261	—	—	—	21,718
Acquisition of a subsidiary *(Note 44)*	3,246	—	—	—	2,962	—	6,208
Disposals of subsidiaries *(Note 45)*	(1,414)	—	—	—	(256)	—	(1,670)
Charged/(credit) to profit or loss *(Note 14(a))*	5,941	(500)	4,178	344	9,545	3,100	22,608
As at 31 December 2023 and 1 January 2024	21,818	3,912	7,439	344	12,251	3,100	48,864
Disposals of subsidiaries *(Note 45)*	—	—	—	—	(160)	—	(160)
Charged/(credit) to profit or loss *(Note 14(a))*	2,310	367	(5,511)	214	2,376	(1,591)	(1,835)
As at 31 December 2024 and 1 January 2025	24,128	4,279	1,928	558	14,467	1,509	46,869
Charged/(credit) to profit or loss *(Note 14(a))*	1,847	2,186	5,146	(558)	2,283	(351)	10,553
As at 31 December 2025 and 1 January 2026	25,975	6,465	7,074	—	16,750	1,158	57,422
Charged/(credit) to profit or loss *(Note 14(a))*	17,195	954	35,525	—	5,637	(176)	59,135
As at 30 June 2026	43,170	7,419	42,599	—	22,387	982	116,557

The Company

DEFERRED TAX ASSETS	Expected credit losses	Inventories written down	Others	Government grants	Lease liabilities	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	11,006	2,273	1,945	8,588	—	11,245	35,057
Credit/(charged) to equity	—	—	—	—	—	(16)	(16)
Credit/(charged) to profit or loss	9,105	1,019	1,970	1,149	2,144	(5,800)	9,587
As at 31 December 2023 and 1 January 2024	20,111	3,292	3,915	9,737	2,144	5,429	44,628
Credit/(charged) to equity	—	—	—	—	—	901	901
Credit/(charged) to profit or loss	16,350	211	(519)	(1,343)	(768)	(2,839)	11,902
As at 31 December 2024 and 1 January 2025	36,461	3,503	3,396	8,394	1,376	3,491	56,621
Credit/(charged) to equity	—	—	—	—	—	(633)	(633)
Credit/(charged) to profit or loss	6,884	325	(1,631)	1,323	(76)	(2,858)	3,967
As at 31 December 2025 and 1 January 2026	43,345	3,828	1,765	9,717	1,300	—	59,955
Credit/(charged) to profit or loss	(1,724)	1,450	90	1,453	2	—	1,271
As at 30 June 2026	41,621	5,278	1,855	11,170	1,302	—	61,226

DEFERRED TAX LIABILITIES	Depreciation	Fair value change of financial assets at FVTPL	Fair value change of financial assets at FVTOCI	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	13,471	3,261	—	—	16,732
Charged/(credit) to profit or loss	483	4,178	344	2,127	7,132
As at 31 December 2023 and 1 January 2024	13,954	7,439	344	2,127	23,864
Charged/(credit) to profit or loss	3,106	(5,511)	214	(755)	(2,946)
As at 31 December 2024 and 1 January 2025	17,060	1,928	558	1,372	20,918
Charged/(credit) to profit or loss	2,723	5,146	(558)	(88)	7,223
As at 31 December 2025 and 1 January 2026	19,783	7,074	—	1,284	28,141
Charged/(credit) to profit or loss	17,747	35,525	—	(40)	53,232
As at 30 June 2026	37,530	42,599	—	1,244	81,373

23 INVENTORIES AND OTHER CONTRACT COSTS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	392,103	433,155	394,513	385,113
Work in progress	250,988	336,699	402,119	639,668
Finished goods	519,653	791,695	879,544	1,008,963
Contract fulfilment costs	2,116	10,634	5,339	6,296
Gross carrying amount	1,164,860	1,572,183	1,681,515	2,040,040
Less: write-down	(74,459)	(121,569)	(140,137)	(175,004)
Net carrying amount	1,090,401	1,450,614	1,541,378	1,865,036

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	237,640	289,369	239,325	274,675
Work in progress	151,993	178,159	178,052	321,499
Finished goods	311,714	481,364	508,938	648,793
Contract fulfilment costs	2,116	2,258	2,501	3,377
Gross carrying amount	703,463	951,150	928,816	1,248,344
Less: write-down	(21,944)	(23,351)	(25,518)	(35,185)
	681,519	927,799	903,298	1,213,159

The movement of inventories write-down is as follows:

The Group

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	33,812	74,459	121,569	140,137
Provision *(Note 8)*	60,495	108,063	97,936	129,564
Write off	(19,136)	(50,110)	(79,367)	(73,695)
Disposal of subsidiaries	(697)	(10,833)	—	(21,002)
Exchange difference	(15)	(10)	(1)	—
At the end of the year/period	74,459	121,569	140,137	175,004

The Company

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	15,150	21,944	23,351	25,518
Provision	14,713	15,226	10,112	15,983
Write off	(7,919)	(13,819)	(7,945)	(6,316)
At the end of the year/period	21,944	23,351	25,518	35,185

24 FINANCIAL ASSETS AT FVTOCI

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
— Unlisted equity investments	15,869	17,303	9,573	14,573

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
— Unlisted equity investments	15,869	17,303	9,573	9,573

The Group designated these unlisted equity investments as FVTOCI (non-recycling), as they are held for strategic purposes.

The fair value is within level 3 of the fair value hierarchy. The major assumptions used in the valuation are set out in Note 41.3.

25 FINANCIAL ASSETS AT FVTPL

The Group classifies the following financial assets at FVTPL:

- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains or losses through OCI.

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
— Listed equity investments	166,410	80,378	104,820	166,239
— Unlisted equity investments	119,473	118,005	143,137	299,269
	285,883	198,383	247,957	465,508

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
— Listed equity investments	166,410	80,378	104,820	166,239
— Unlisted equity investments	119,473	118,005	143,137	299,269
	285,883	198,383	247,957	465,508

The fair value of listed equity investments and unlisted equity investments is within level 1 and level 3 of the fair value hierarchy, respectively. The major assumptions used in the valuation are set out in Note 41.3.

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments				
— acquisition of property, plant and equipment	64,879	56,559	231,630	226,458
— acquisition of a subsidiary *(Note (a))*	—	—	—	177,218
VAT recoverable	37,119	—	—	—
Finance lease receivables	489	332	161	—
	102,487	56,891	231,791	403,676
Less: provision for impairment	(26)	(17)	(8)	—
	102,461	56,874	231,783	403,676
Current				
Prepayments made to suppliers	33,925	21,296	38,431	146,503
Deposits paid	10,185	12,817	5,810	6,783
VAT recoverable	94,513	221,057	297,251	312,053
Finance lease receivables	141	155	155	—
Others	2,622	1,942	4,217	4,624
	141,386	257,267	345,864	469,963
Less: provision for impairment	(2,604)	(4,384)	(2,005)	(2,181)
	138,782	252,883	343,859	467,782

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in Note 41.1(b)(iv).

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments				
— acquisition of property, plant and equipment	28,225	37,068	110,558	88,614
— acquisition of a subsidiary *(Note (a))*	—	—	—	118,141
Finance lease receivables	8,162	5,553	2,833	2,833
	36,387	42,621	113,391	209,588
Less: provision for impairment	(442)	(296)	(147)	(147)
	35,945	42,325	113,244	209,441
Current				
Prepayments made to the third-party suppliers	12,975	13,483	15,320	11,075
Amounts due from subsidiaries *(Note (b))*	1,423,736	2,773,868	2,980,980	3,178,178
Deposits paid to third parties	269	322	447	433
VAT recoverable	23,852	33,842	42,284	38,202
Finance lease receivables	2,505	2,610	2,720	2,836
Others	1,598	596	1,955	1,575
	1,464,935	2,824,721	3,043,706	3,232,299
Less: provision for impairment	(100,177)	(194,773)	(232,193)	(207,484)
	1,364,758	2,629,948	2,811,513	3,024,815

Note:

(a) The balance represented the first tranche of consideration paid by the Group in relation to the proposed acquisition of equity interests in Beijing Kaide Quartz Co., Ltd. (北京凯德石英股份有限公司), in accordance with the share transfer agreement. The acquisition was completed in July 2026.

(b) Amounts due from the subsidiaries were unsecured, interest bearing and repayable on demand.

27 TRADE RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, gross	701,347	1,065,367	1,318,177	1,722,020
Less: provision for impairment	(36,015)	(60,233)	(73,676)	(91,377)
	665,332	1,005,134	1,244,501	1,630,643

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, gross	652,283	915,848	1,081,169	1,360,002
Less: provision for impairment	(33,457)	(48,004)	(56,621)	(69,835)
	618,826	867,844	1,024,548	1,290,167

The Group's credit period is generally within 120 days to its customers. As at 31 December 2023, 2024 and 2025 and 30 June 2026, the aging analysis of trade receivables based on the date of revenue recognition of gross trade receivables are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	696,493	1,048,824	1,291,062	1,702,995
1 to 2 years	4,408	14,710	23,311	15,583
2 to 3 years	273	1,499	3,142	2,965
3 to 4 years	173	334	662	477
	701,347	1,065,367	1,318,177	1,722,020

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	648,126	905,810	1,073,598	1,354,584
1 to 2 years	3,714	8,241	3,919	2,807
2 to 3 years	270	1,463	2,990	2,134
3 to 4 years	173	334	662	477
	652,283	915,848	1,081,169	1,360,002

Movements in impairment allowance on trade receivables were as follows:

The Group

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	23,740	36,015	60,233	73,676
Provision *(Note 12)*	13,292	24,893	13,632	22,043
Write off	—	—	(46)	—
Disposal of subsidiary	(2,792)	(555)	—	(4,083)
Exchange difference	1,775	(120)	(143)	(259)
As at 31 December/30 June	36,015	60,233	73,676	91,377

The Company

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	29,838	33,457	48,004	56,621
Provision	3,619	14,547	8,617	13,214
As at 31 December/30 June	33,457	48,004	56,621	69,835

Further details on the Group's and the Company's credit policy and credit risk arising from trade receivables are set out in Note 41.1(b)(ii).

28 NOTE RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Note receivables at FVTOCI	14,785	16,751	94,112	53,468

Transfers of financial assets

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Group endorsed certain note receivables accepted by banks in the PRC (the "**Endorsed Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB58,066,000, RMB261,138,000, RMB238,915,000 and RMB302,636,000, respectively.

The Endorsed Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Group if the banks default (the "**Continuing Involvement**").

In the opinion of the directors, the risk of the Group being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of RMB58,066,000, RMB261,138,000, RMB238,915,000 and RMB302,636,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively, and the Group has transferred substantially all risks and rewards relating to such Endorsed Bills.

Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB RMB58,066,000, RMB261,138,000, RMB238,915,000 and RMB302,636,000 and the associated trade payable of the same amount (the "**Derecognised Bills**").

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

Further details on the Group's credit policy and credit risk arising from note receivables are set out in Note 41.1(b)(iii).

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Note receivables at FVTOCI	9,514	266	79,209	36,804

Transfers of financial assets

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Company endorsed certain note receivable accepted by banks in the PRC (the "**Endorsed Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB55,568,000, RMB201,633,000, RMB116,145,000 and RMB164,383,000, respectively.

The Endorsed Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Company if the banks default (the "**Continuing Involvement**").

In the opinion of the directors, the risk of the Company being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of RMB55,568,000, RMB201,633,000, RMB116,145,000 and RMB164,383,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively, and the Company has transferred substantially all risks and rewards relating to such Endorsed Bills.

Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB55,568,000, RMB201,633,000, RMB116,145,000 and RMB164,383,000 (the Derecognised Bills") and the associated trade payable of the same amount.

The maximum exposure to loss from the Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company's Continuing Involvement in the Derecognised Bills are not significant.

Further details on the Company's credit policy and credit risk arising from note receivables are set out in Note 41.1(b)(iii).

29 CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents *(Note (a))*	953,089	1,119,625	1,007,592	3,406,862
Restricted bank deposits *(Note (b))*	5,858	35,455	303,056	275,611

The carrying amounts of the Group's cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	583,808	819,424	925,310	3,105,926
USD	355,639	321,190	352,530	558,355
Japanese Yen	13,273	8,606	22,187	13,362
Korean Won	—	250	8,656	2,285
EUR	2,997	2,766	194	854
New Taiwan dollar	2,329	2,389	866	1,008
Others	901	455	905	683
	958,947	1,155,080	1,310,648	3,682,473

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese government. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

(a) At the end of each reporting period, cash and bank balances of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates ranging from 0.30% to 3.70%, 0.10% to 5.30%, 0.05% to 4.00% and 0.05% to 3.90% per annum as at 31 December 2023, 2024 and 2025 and 30 June 2026.

(b) At the end of each reporting period, the restricted bank deposits mainly consist of bank acceptance bill deposits and borrowing deposits placed in banks as security for issuance of note payables and letter of guarantee. The restricted bank deposits carried interest at prevailing market rates ranging from 0.30% to 0.30%, 0.10% to 1.55%, 0.05% to 1.55% and 0.05% to 1.20% per annum as at 31 December 2023, 2024 and 2025 and 30 June 2026.

(c) Further details on the Group's credit policy and credit risk arising from cash and cash equivalents and restricted bank deposits are set out in Note 41.1(b)(i).

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents *(Note (a))*	676,876	704,296	755,158	2,296,401
Restricted bank deposits *(Note (b))*	5,852	22,057	303,047	272,058

The carrying amounts of the Company's cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	361,281	445,047	760,987	2,061,562
USD	312,270	281,270	289,402	506,056
Japanese Yen	9,177	36	7,816	841
	682,728	726,353	1,058,205	2,568,459

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese Government. The Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

(a) At the end of each reporting period, cash and bank balances of the Company comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates ranging from 0.30% to 3.70%, 0.10% to 5.30%, 0.05% to 4.00% and 0.05% to 3.90% per annum as at 31 December 2023, 2024 and 2025 and 30 June 2026.

(b) At the end of each reporting period, restricted bank deposits mainly consist of bank acceptance bill deposits and borrowing deposits placed in banks as security for issuance of note payables and letter of guarantee. The restricted bank deposits carried interest at prevailing market rates ranging from 0.30% to 0.30%, 0.10% to 1.55%, 0.05% to 1.55% and 0.05% to 1.20% per annum as at 31 December 2023, 2024 and 2025 and 30 June 2026.

(c) Further details on the Company's credit policy and credit risk arising from cash and cash equivalents and restricted bank deposits are set out in Note 41.1(b)(i).

30 TRADE PAYABLES

The credit period provided by suppliers to the Group and Company is generally within 90 days. As at 31 December 2023, 2024 and 2025 and 30 June 2026, the aging analysis of the trade payables based on transaction date are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	397,121	511,816	586,636	883,273

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	348,062	513,177	572,950	853,247

As at 31 December 2023, 2024, 2025 and 30 June 2026, the aging analysis of trade payables are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 1 year	396,130	510,482	577,070	877,910
1 to 2 years	845	1,095	8,749	3,553
2 to 3 years	28	107	602	1,488
Over 3 years	118	132	215	322
	397,121	511,816	586,636	883,273

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 1 year	347,891	512,999	572,522	852,836
1 to 2 years	42	27	253	5
2 to 3 years	28	46	25	243
Over 3 years	101	105	150	163
	348,062	513,177	572,950	853,247

31 NOTE PAYABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Note payables				
— Bank acceptance bills	—	48,005	447,670	805,099

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Note payables				
— Bank acceptance bills	—	48,005	455,170	831,581

As at 31 December 2023, 2024 and 2025 and 30 June 2026, certain of the Group's note payables were secured by certain of the Group's restricted bank deposits. Details of the Group's assets pledged for the Group's note payables are disclosed in Note 46.

These relate to trade payables in which the Group and the Company have issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group and the Company continue to recognise these trade payables as the Group and the Company are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statements of cash flows, settlements of these bills by the Group and the Company are included within operating cash flows based on the nature of the arrangements.

32 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payables	64,695	87,693	119,482	87,243
Payables for construction cost and purchase of equipment	438,860	752,932	640,102	603,431
Obligation for repurchase of restricted shares	45,092	17,123	—	—
Other tax payables	22,293	15,972	46,353	74,654
Others	2,718	3,278	3,269	13,427
	573,658	876,998	809,206	778,755

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payables	29,776	35,269	39,480	28,910
Payables for construction cost and purchase of equipment	180,084	234,418	119,677	208,131
Obligation for repurchase of restricted shares	45,092	17,123	—	—
Other tax payables	17,093	6,865	25,430	38,838
Amounts due to subsidiaries *(Note (a))*	59,678	10,825	81,500	126,842
Others	2,164	2,057	2,356	8,777
	333,887	306,557	268,443	411,498

Notes:

(a) Amounts due to subsidiaries are unsecured, interest bearing and repayable within one year.

33 CONTRACT LIABILITIES

The contract liabilities represented the advance consideration received from customers. The addition of contract liabilities was mainly due to the increase in cash payments made upfront by the Group's customers under sales contracts. The Group receives payment from customers based on billing schedule as established in contracts.

The Group

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at the beginning of the year/period	1,286	8,340	8,697	14,060
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(1,286)	(8,340)	(8,697)	(14,060)
Acquisition of a subsidiary *(Note 44)*	45	—	—	—
Disposal of subsidiaries *(Note 45)*	(8)	(11)	—	—
Increase in contract liabilities as a result of billing in advance	8,303	8,686	14,060	187,288
Balance as at the end of the year/period.	8,340	8,697	14,060	187,288

The Company

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at the beginning of the year/period	1,134	1,055	2,649	3,359
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(1,134)	(1,055)	(2,649)	(3,359)
Increase in contract liabilities as a result of billing in advance	1,055	2,649	3,359	23,027
Balance as at the end of the year/period.	1,055	2,649	3,359	23,027

34 BORROWINGS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured and guaranteed bank borrowings *(Note (a), (b))*	50,049	11,814	515,086	555,700
Secured and unguaranteed bank borrowings *(Note (a), (b))*	438,343	795,583	1,009,852	1,241,646
Unsecured and guaranteed bank borrowings *(Note (b))*	65,076	—	54,080	88,016
Unsecured and unguaranteed bank borrowings *(Note (b))*	449,388	1,793,833	2,003,445	2,740,482
Unsecured and unguaranteed other borrowings *(Note (b))*	611	—	62,461	57,400
Total	1,003,467	2,601,230	3,644,924	4,683,244

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured and guaranteed bank borrowings *(Note (a), (b))*	50,049	—	—	—
Secured and unguaranteed bank borrowings *(Note (a), (b))*	419,326	795,583	841,711	1,006,141
Unsecured and unguaranteed bank borrowings *(Note (b))*	389,326	1,664,327	1,731,361	2,362,770
Total	858,701	2,459,910	2,573,072	3,368,911

Notes:

(a) The balances were secured by property, plant and equipment, right-of-use assets and investment properties. Details of the Group's and the Company's assets pledged for the borrowings are disclosed in Note 46. The Company provided guarantees to subsidiaries of the Company for certain bank borrowings.

(b) The Group has complied with all financial covenants under its loan agreements, and there were no breaches or waivers during the Track Record Period.

The following table sets out the maturity profile of the borrowings as at the end of each of the reporting periods:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable:				
On demand or within one year	253,487	1,213,073	1,614,482	2,567,419
More than one year, but not exceeding two years	265,380	918,793	1,386,985	1,055,461
More than two years, but not exceeding five years	484,600	469,364	643,457	338,280
After five years	—	—	—	722,084
	1,003,467	2,601,230	3,644,924	4,683,244
Less: amounts due within one year shown under current liabilities	(253,487)	(1,213,073)	(1,614,482)	(2,567,419)
Amounts shown under non-current liabilities	749,980	1,388,157	2,030,442	2,115,825

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable:				
On demand or within one year	215,721	1,093,353	1,237,648	2,015,347
More than one year, but not exceeding two years	222,980	913,793	1,208,424	859,840
More than two years, but not exceeding five years	420,000	452,764	127,000	200,150
After five years	—	—	—	293,574
	858,701	2,459,910	2,573,072	3,368,911
Less: amounts due within one year shown under current liabilities	(215,721)	(1,093,353)	(1,237,648)	(2,015,347)
Amounts shown under non-current liabilities	642,980	1,366,557	1,335,424	1,353,564

The interest rate profile of the borrowings are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings	385,957	1,056,845	1,393,392	1,599,786
Variable-rate borrowings	617,510	1,544,385	2,251,532	3,083,458
Total	1,003,467	2,601,230	3,644,924	4,683,244

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings	320,271	986,793	934,523	1,030,265
Variable-rate borrowings	538,430	1,473,117	1,638,549	2,338,646
Total	858,701	2,459,910	2,573,072	3,368,911

The ranges of effective interest rates (which are also equal to contracted interest rates) on the borrowings are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
Fixed-rate borrowings	2.60% to 4.35%	2.41% to 4.35%	1.48% to 3.20%	1.30% to 4.00%
Variable-rate borrowings	2.40% to 3.80%	2.30% to 3.45%	1.95% to 3.45%	1.95% to 3.55%

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
Fixed-rate borrowings	2.60% to 4.04%	2.41% to 3.20%	1.55% to 3.20%	1.30% to 2.96%
Variable-rate borrowings	2.40% to 3.15%	2.30% to 3.05%	1.95% to 2.70%	1.95% to 2.65%

35 DEFERRED INCOME

The Group

	RMB'000
At 1 January 2023	69,672
Additions	23,246
Disposal of subsidiaries *(Note 45)*	(1,249)
Recognised in profit or loss	(13,892)
At 31 December 2023 and 1 January 2024	77,777
Additions	23,711
Disposal of a subsidiary *(Note 45)*	(2,062)
Recognised in profit or loss	(17,557)
At 31 December 2024 and 1 January 2025	81,869
Additions	55,881
Recognised in profit or loss	(22,570)
At 31 December 2025 and 1 January 2026	115,180
Additions	43,745
Recognised in profit or loss	(12,747)
At 30 June 2026	146,178

The Company

	RMB'000
At 1 January 2023	57,256
Additions	19,703
Recognised in profit or loss	(12,042)
At 31 December 2023 and 1 January 2024	64,917
Additions	6,100
Recognised in profit or loss	(15,050)
At 31 December 2024 and 1 January 2025	55,967
Additions	28,134
Recognised in profit or loss	(19,308)
At 31 December 2025 and 1 January 2026	64,793
Additions	20,255
Recognised in profit or loss	(10,567)
At 30 June 2026	74,481

Note: Government grants mainly comprise incentives provided by local authorities for acquisition of plant and equipment and research and development projects. The amounts received are treated as deferred income and will be released to profit or loss over the estimated useful lives of the underlying plant and equipment and status of projects respectively. There are no unfulfilled obligations for the recognised income at the end of each reporting period.

36 SHARE CAPITAL

The Group and Company	**Number of registered, issued and fully paid ordinary shares**	**Equivalent nominal value of shares**
	'000	*RMB'000*
As at 1 January 2023	265,568	265,568
Exercise of share option	92	92
Cancellation of restricted shares	(225)	(225)
As at 31 December 2023 and 1 January 2024	265,435	265,435
Cancellation of restricted shares	(97)	(97)
As at 31 December 2024 and 1 January 2025	265,338	265,338
Cancellation of restricted shares	(18)	(18)
As at 31 December 2025, 1 January 2026	265,320	265,320
Issue of shares by private placement *(Note (a))*	10,651	10,651
As at 30 June 2026	275,971	275,971

Note:

(a) In April 2026, the Company obtained approval from the China Securities Regulatory Commission to conduct a private placement of new A shares, which was completed in June 2026. The Company issued 10,650,400 new A Shares at RMB181.01 per share, raising gross proceeds of approximately RMB1,927,829,000 netting of transaction costs. As a result, the Company recognised share capital of approximately RMB10,651,000 and share premium of approximately RMB1,894,699,000, representing the net proceeds received after deduction of the related transaction costs.

37 TREASURY SHARES

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	95,697	65,092	69,128	69,128	52,005
Repurchase of restricted shares	20,000	32,005	—	—	—
Vested	(45,092)	(25,592)	(16,685)	(13,072)	—
Cancellation of restricted shares	(5,513)	(2,377)	(438)	(438)	—
As at 31 December/30 June	65,092	69,128	52,005	55,618	52,005

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	'000	*'000*	*'000*	*'000*	*000*
Number of shares					
As at 1 January	3,906	2,181	1,719	1,719	1,020
Repurchase of restricted shares	341	679	—	—	—
Vested	(1,841)	(1,044)	(681)	(534)	—
Cancellation of restricted shares	(225)	(97)	(18)	(18)	—
As at 31 December/30 June	2,181	1,719	1,020	1,167	1,020

As at 31 December 2023, 2024, 2025 and 30 June 2026, treasury shares mainly comprised treasury shares used for the 2022 Share-Based Incentive Plan, as defined in Note 39(b), that have not met vesting condition.

38 RESERVES

The Group

Below table sets out the details of the reserves of the Group:

	Capital reserve	Other reserve	FVTOCI reserve	Statutory reserve	Exchange reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	3,098,063	(303)	—	92,850	3,114	3,193,724
Changes in fair value from financial assets at FVTOCI	—	—	1,952	—	—	1,952
Exchange differences on translation of foreign operations	—	—	—	—	271	271
Exercise of share option	3,540	—	—	—	—	3,540
Cancellation of restricted shares	(5,270)	—	—	—	—	(5,270)
Share-based payments	40,272	—	—	—	—	40,272
Deferred tax impact on share-based payments	432	—	—	—	—	432
Appropriation to statutory reserve	—	—	—	36,647	—	36,647
Deemed partial disposal of a subsidiary without losing control	—	119	—	—	—	119
Acquisition of additional interests in non-controlling interests	—	(94,767)	—	—	—	(94,767)
As at 31 December 2023	3,137,037	(94,951)	1,952	129,497	3,385	3,176,920

	Capital reserve	Other reserve	FVTOCI reserve	Statutory reserve	Exchange reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	3,137,037	(94,951)	1,952	129,497	3,385	3,176,920
Changes in fair value from financial assets at FVTOCI	—	—	1,218	—	—	1,218
Exchange differences on translation of foreign operations	—	—	—	—	(867)	(867)
Cancellation of restricted shares	(2,249)	—	—	—	—	(2,249)
Share-based payments	21,847	—	—	—	—	21,847
Deferred tax impact on share-based payments	8,521	—	—	—	—	8,521
Appropriation to statutory reserve	—	—	—	3,173	—	3,173
Deemed partial disposal of a subsidiary without losing control	—	(63,546)	—	—	—	(63,546)
Acquisition of additional interests in non-controlling interests	—	(6,500)	—	—	—	(6,500)
As at 31 December 2024	3,165,156	(164,997)	3,170	132,670	2,518	3,138,517

	Capital reserve	Other reserve	FVTOCI reserve	Statutory reserve	Exchange reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025	3,165,156	(164,997)	3,170	132,670	2,518	3,138,517
Changes in fair value from financial assets at FVTOCI	—	—	(2,622)	—	—	(2,622)
Exchange differences on translation of foreign operations	—	—	—	—	(1,794)	(1,794)
Cancellation of restricted shares	(412)	—	—	—	—	(412)
Share-based payments	10,019	—	—	—	—	10,019
Deferred tax impact on share-based payments	(633)	—	—	—	—	(633)
Transfer of FVTOCI reserve on disposal of financial assets at FVTOCI to retained earnings	—	—	(548)	—	—	(548)
Partial disposal of subsidiaries without losing control	—	5,503	—	—	—	5,503
Acquisition of additional interests in non-controlling interests	—	(5,812)	—	—	—	(5,812)
As at 31 December 2025	3,174,130	(165,306)	—	132,670	724	3,142,218

	Capital reserve	Other reserve	FVTOCI reserve	Statutory reserve	Exchange reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
As at 1 January 2025	3,165,156	(164,997)	3,170	132,670	2,518	3,138,517
Exchange differences on translation of foreign operations	—	—	—	—	1,701	1,701
Cancellation of restricted shares	(412)	—	—	—	—	(412)
Share-based payments	5,865	—	—	—	—	5,865
Deferred tax impact on share-based payments	(396)	—	—	—	—	(396)
Partial disposal of a subsidiary without losing control	—	3,566	—	—	—	3,566
Acquisition of additional interests in non-controlling interests	—	(5,812)	—	—	—	(5,812)
As at 30 June 2025	3,170,213	(167,243)	3,170	132,670	4,219	3,143,029

	Capital reserve	Other reserve	Statutory reserve	Exchange reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2026	3,174,130	(165,306)	132,670	724	3,142,218
Exchange differences on translation of foreign operations	—	—	—	(5,081)	(5,081)
Issue of shares by private placement	1,894,699	—	—	—	1,894,699
Share-based payments	4,099	—	—	—	4,099
As at 30 June 2026	5,072,928	(165,306)	132,670	(4,357)	5,035,935

Below table sets out the details of the reserves of the Company:

The Company

	Capital reserve	FVTOCI reserve	Statutory reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	3,097,650	—	92,850	3,190,500
Changes in fair value from financial assets at FVTOCI	—	1,952	—	1,952
Exercise of share option	3,540	—	—	3,540
Cancellation of restricted shares	(5,270)	—	—	(5,270)
Share-based payments	34,582	—	—	34,582
Deferred tax impact on share-based payments	(16)	—	—	(16)
Appropriation to statutory reserve	—	—	36,647	36,647
As at 31 December 2023	3,130,486	1,952	129,497	3,261,935

	Capital reserve	FVTOCI reserve	Statutory reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	3,130,486	1,952	129,497	3,261,935
Changes in fair value from financial assets at FVTOCI	—	1,218	—	1,218
Cancellation of restricted shares	(2,249)	—	—	(2,249)
Share-based payments	9,037	—	—	9,037
Deferred tax impact on share-based payments	901	—	—	901
Appropriation to statutory reserve	—	—	3,173	3,173
As at 31 December 2024	3,138,175	3,170	132,670	3,274,015

	Capital reserve	FVTOCI reserve	Statutory reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025	3,138,175	3,170	132,670	3,274,015
Changes in fair value from financial assets at FVTOCI	—	(2,622)	—	(2,622)
Cancellation of restricted shares	(412)	—	—	(412)
Share-based payments	2,026	—	—	2,026
Deferred tax impact on share-based payments	(633)	—	—	(633)
Transfer of FVTOCI reserves disposal of financial assets at FVTOCI to retained earnings	—	(548)	—	(548)
As at 31 December 2025	3,139,156	—	132,670	3,271,826

	Capital reserve	Statutory reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2026	3,139,156	132,670	3,271,826
Issue of shares by private placement	1,894,699	—	1,894,699
As at 30 June 2026	5,033,855	132,670	5,166,525

Notes:

(a) Nature and purpose of reserves

(i) Capital reserve
Capital reserve mainly represents the excess of the proceeds received over the nominal value of shares issued by the Company, and the cumulative share-based payment expenses recognised in connection with equity-settled share-based awards granted to directors and employees.

(ii) Other reserve
Other reserve mainly represents the difference between the consideration paid or received for transactions with non-controlling interests and the carrying amount of the relevant share of net assets of the subsidiaries, including gains or losses arising from deemed partial disposals of subsidiaries without loss of control.

(iii) FVTOCI reserve
FVTOCI reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVTOCI under IFRS 9 that are held at the end of the reporting period.

(iv) Statutory reserve
In accordance with the Company Law of the PRC, entities established in the PRC are required to appropriate 10% of their annual statutory profit after tax (after offsetting any prior years' losses) to the statutory reserve until the balance of the reserve reaches 50% of their registered capital. The statutory reserve may be utilised to offset accumulated losses or be capitalised as paid-up capital, provided that the remaining balance of the reserve is not less than 25% of the registered capital.

(v) Exchange reserve
Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(b) Transactions with non-controlling interests

During the year ended 31 December 2023, the Group entered into the following transactions with non-controlling interests while retaining control over the relevant subsidiaries:

- A new investor subscribed for additional equity in Wuhan Konfoong Materials Research Institute Co., Ltd. (武漢江豐材料研究院有限公司) ("**Wuhan Konfoong Materials**") for approximately RMB1.9 million, resulting in the Group's effective equity interest being diluted from 100% to 92.94%. The resulting deemed disposal gain of approximately RMB119,000 was recognised in other reserve within equity.

- The Company acquired the remaining 46% equity interest in Xinchuang Technology from the non-controlling shareholders for cash consideration of approximately RMB127.77 million, increasing its ownership interest from 54% to 100%. The carrying amount of the non-controlling interests acquired was approximately RMB33.00 million. The difference between the consideration paid and the carrying amount of the non-controlling interests acquired, amounting to approximately RMB94.77 million, was recognised directly in other reserve within equity.

During the year ended 31 December 2024, the Group entered into the following transactions with non-controlling interests while retaining control over the relevant subsidiaries:

- The Group completed the acquisition of the remaining equity interests in Hangzhou Ruisheng Semiconductor Technology Co., Ltd. ("**Hangzhou Ruisheng**") and Shenyang Ruijing Precision Technology Co., Ltd. through Shanghai Ruisheng, a direct 75%-owned subsidiary of the Company, for an aggregate cash consideration of approximately RMB12.90 million. The difference between the consideration paid and the carrying amount of the non-controlling interests acquired of approximately RMB6.50 million was recognised directly in other reserve within equity.

- Shanghai Ruisheng, direct 75%-owned subsidiary of the Company, acquired the entire equity interest in Xinchuang Technology, a direct wholly-owned subsidiary of the Company, from the Company for a combination of cash consideration of approximately RMB16.00 million and the issuance of equity instruments by Shanghai Ruisheng to the Company. Upon completion of the transaction, the Company's shareholding in Shanghai Ruisheng increased from 60% to 75% and Xinchuang Technology became a wholly-owned subsidiary of Shanghai Ruisheng. The difference arising from the transaction, amounting to approximately RMB63.55 million, was recognised directly in other reserve within equity.

During the year ended 31 December 2025, the Group entered into the following transactions with non-controlling interests while retaining control over the relevant subsidiaries:

- In April 2025, the Company acquired the remaining equity interest in Ningbo Konfoong Semiconductor Technology Co., Ltd. from the non-controlling shareholder for nil consideration, as the non-controlling shareholder had not made any capital contribution, increasing its ownership interest from 69.93% to 100%. The carrying amount of the non-controlling interests acquired was a deficit of approximately RMB5.81 million. The difference between the consideration paid and the carrying amount of the non-controlling interests acquired, amounting to approximately RMB5.81 million, was recognised directly in other reserve within equity.

- In May 2025, the Company disposed of a 7% equity interest in Jingfeng Xinchi (Shanghai) Semiconductor Technology Co., Ltd. ("**Jingfeng Xinchi**") for cash consideration of approximately RMB9.10 million, decreasing its ownership interest from 51% to 44%. As the Company retained control over Jingfeng Xinchi following the disposal, the transaction was accounted for as an equity transaction. The difference between the consideration received and the carrying amount of the non-controlling interests recognised, amounting to approximately RMB3.57 million, was recognised directly in other reserve within equity.

- In December 2025, the Company further disposed of a 2% equity interest in Jingfeng Xinchi (Shanghai) Semiconductor Technology Co., Ltd. ("**Jingfeng Xinchi**") for cash consideration of approximately RMB2.60 million, decreasing its ownership interest from 44% to 42%. As the Company retained control over Jingfeng Xinchi following the disposal, the transaction was accounted for as an equity transaction. The difference between the consideration received and the carrying amount of the non-controlling interests recognised, amounting to approximately RMB1.93 million, was recognised directly in other reserve within equity.

39 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company adopted share-based incentive plans during the Track Record Period. These plans were established primarily to attract, retain and motivate the directors and employees of the Company and its subsidiaries. Under the plans, eligible participants may be granted share options or restricted shares, which vest only upon the satisfaction of specified service and performance conditions.

(a) Share options

In 2019, the Company implemented the Phase I Share Option Incentive Plan (第一期股票期權激勵計劃) (the "**2019 Share Option Incentive Plan**"), pursuant to which 14,640,000 share options were granted to 200 incentive participants at the initial exercise price of RMB39.50 per share. The share options vest and become exercisable in three tranches over a period of 36 months.

The vesting schedule for each phase is shown in the following table:

Exercise period	Vesting period	Exercise percentage
First exercise period	From the first trading day following the 12th month of the completion of registration of the initially granted share options to the last trading day within 24 months from the completion of registration of the initially granted share options (both days inclusive).	40%
Second exercise period	From the first trading day following the 24th month of the completion of registration of the initially granted share options to the last trading day within 36 months from the completion of registration of the initially granted share options (both days inclusive).	30%
Third exercise period	From the first trading day following the 36th month of the completion of registration of the initially granted share options to the last trading day within 48 months from the completion of registration of the initially granted share options (both days inclusive).	30%

Set out below are summaries of share options outstanding under the plan:

	Number of share options
	2019 Share Option Incentive Plan
As at 1 January 2023	140,147
Exercised	(92,147)
Forfeited	(48,000)
As at 31 December 2023, 2024, 2025 and 30 June 2026	—

(b) Restricted shares

In 2022, the Company implemented the Phase II Share-Based Incentive Plan (第二期股權激勵計劃) (the "**2022 Share-Based Incentive Plan**") and granted 3,906,000 restricted shares to 314 eligible participants at a grant price of RMB24.50 per share.

The fair value of the restricted shares was measured using the closing price of the Company's A shares on the grant date.

The vesting schedule for each phase is shown in the following table:

Vesting period	Vesting date	Vesting percentage
First vesting period	From the first trading day following the 12th month of the completion of registration of the initially granted restricted shares to the last trading day within 24 months from the completion of registration of the initially granted restricted shares (both days inclusive).	50%
Second vesting period	From the first trading day following the 24th month of the completion of registration of the initially granted restricted shares to the last trading day within 36 months from the completion of registration of the initially granted restricted shares (both days inclusive).	30%
Third vesting period	From the first trading day following the 36th month of the completion of registration of the initially granted restricted shares to the last trading day within 48 months from the completion of registration of the initially granted restricted shares (both days inclusive).	20%

Set out below are summaries of restricted shares outstanding under the plan:

	Number of restricted shares	
	2022 Share-Based Incentive Plan	RMB'000
As at 1 January 2023	3,906,000	95,697
Vested	(1,840,500)	(45,092)
Cancelled	(225,000)	(5,513)
As at 31 December 2023	1,840,500	45,092
Vested	(1,044,600)	(25,592)
Cancelled	(97,000)	(2,377)
As at 31 December 2024	698,900	17,123
Vested	(681,000)	(16,685)
Cancelled	(17,900)	(438)
As at 31 December 2025 and 30 June 2026	—	—

(c) Share-based incentive schemes of subsidiaries

(i) Ningbo Jiangfeng Xinchuang Technology Co., Ltd.

Ningbo Jiangfeng Xinchuang Technology Co., Ltd. ("**Xinchuang Technology**"), introduced core employees as investors through a capital increase in Xinchuang Technology with the aim of enhancing the motivation of key personnel and supporting the sustained and rapid growth of its business in prior years. The core employees contributed an aggregate of approximately RMB3.11 million to Xinchuang Technology and subscribed for its shares at a price of RMB2.80 per share, subject to a four-year lock-up period (the "**Xinchuang Technology Scheme**"). In 2023, following the acquisition of the non-controlling interests in Xinchuang Technology by the Company, the share-based incentive scheme for the core employees was accelerated, resulting in the immediate vesting of the awards and the one-time recognition of the outstanding share-based payment expense for the year ended 31 December 2023.

(ii) Shanghai Ruisheng Semiconductor Technology Co., Ltd.

In 2024, the non-controlling shareholders, Shanghai Ruisheng Semiconductor Technology Co., Ltd. ("**Shanghai Ruisheng**") transferred certain equity interests to selected core employees under the employee incentive scheme. The transferred equity interests are subject to a seven-year service condition and forfeiture provisions if such condition is not satisfied (the "**Shanghai Ruisheng Scheme**").

(iii) Ningbo Yongjin Zhixiang Enterprise Management Consulting Partnership (Limited Partnership)

In 2026, Ningbo Yongjin Zhixiang Enterprise Management Consulting Partnership (Limited Partnership) ("**Yongjin Zhixiang**") introduced selected core employees as investors through a capital increase. The core employees established several partnership entities, which collectively contributed approximately RMB102,025,000 to Yongjin Zhixiang and subscribed for interests in Yongjin Zhixiang at a subscription price equivalent to RMB38.17 per share as its limited partners. Under the arrangement, the employees are required to render services for a vesting period of three years (the "**Yongjin Zhixiang Scheme**"). The interests are subject to a three-year service condition and forfeiture provisions if such condition is not satisfied.

(d) Share-based payment expenses

The expense recognised in respect of the Group's restricted share incentive schemes and share-based incentive schemes for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026 amounted to approximately RMB46,399,000, RMB29,422,000, RMB12,705,000, RMB7,269,000 and RMB5,288,000, respectively, as disclosed in Note 9.

Upon vesting and/or exercise of the share incentive schemes, differences arose between the tax deductions available and the cumulative share-based payment expense recognised for accounting purposes. The related tax effects of approximately RMB432,000, RMB8,521,000, RMB(633,000), RMB(396,000) and Nil for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026, respectively, were recognised directly in reserves.

40 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL *(Note 25)*	285,883	198,383	247,957	465,508
Financial assets at FVTOCI				
— Financial assets at FVTOCI *(Note 24)*	15,869	17,303	9,573	14,573
— Note receivables *(Note 28)*	14,785	16,751	94,112	53,468
Financial assets at amortised cost:				
— Trade receivables *(Note 27)*	665,332	1,005,134	1,244,501	1,630,643
— Other receivables (excluding prepayments and VAT recoverable) *(Note 26)*	10,807	10,845	8,330	9,226
— Restricted bank deposits *(Note 29)*	5,858	35,455	303,056	275,611
— Cash and cash equivalents *(Note 29)*	953,089	1,119,625	1,007,592	3,406,862
	1,951,623	2,403,496	2,915,121	5,855,891
Financial liabilities				
Financial liabilities at amortised cost:				
— Trade payables *(Note 30)*	397,121	511,816	586,636	883,273
— Note payables *(Note 31)*	—	48,005	447,670	805,099
— Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 32)*	486,670	773,333	643,371	616,858
— Borrowings *(Note 34)*	1,003,467	2,601,230	3,644,924	4,683,244
Lease liabilities *(Note 20)*	58,076	76,946	85,564	125,548
	1,945,334	4,011,330	5,408,165	7,114,022

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL *(Note 25)*	285,883	198,383	247,957	465,508
Financial assets at FVTOCI				
— Financial assets at FVTOCI *(Note 24)*	15,869	17,303	9,573	9,573
— Note receivables *(Note 28)*	9,514	266	79,209	36,804
Financial assets at amortised cost:				
— Trade receivables *(Note 27)*	618,826	867,844	1,024,548	1,290,167
— Other receivables (excluding prepayments and VAT recoverable) *(Note 26)*	1,335,651	2,587,880	2,756,595	2,978,224
— Restricted bank deposits *(Note 29)*	5,852	22,057	303,047	272,058
— Cash and cash equivalents *(Note 29)*	676,876	704,296	755,158	2,296,401
	2,948,471	4,398,029	5,176,087	7,348,735
Financial liabilities				
Financial liabilities at amortised cost:				
— Trade payables *(Note 30)*	348,062	513,177	572,950	853,247
— Note payables *(Note 31)*	—	48,005	455,170	831,581
— Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 32)*	287,018	264,423	203,533	343,750
— Borrowings *(Note 34)*	858,701	2,459,910	2,573,072	3,368,911
Lease liabilities *(Note 20)*	14,294	9,178	8,674	8,687
	1,508,075	3,294,693	3,813,399	5,406,176

41 FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The Group's and the Company's activities expose it to a variety of financial risks: mainly market risk, credit risk and liquidity risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group's businesses are principally conducted in RMB, USD and other foreign currencies.

The Group and the Company regularly monitors its foreign exchange risk to ensure there is no undue exposure to significant foreign exchange risk. The Group and the Company continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks.

The exchange rate risks mainly arise from financial assets and financial liabilities denominated in USD. The amounts of financial assets and financial liabilities denominated in foreign currency converted into RMB are presented as follows:

The Group

	USD	Other foreign currencies	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2023			
Cash and cash equivalents	355,639	19,500	375,139
Trade receivables	190,167	10,938	201,105
Other receivables	27	2,333	2,360
Trade payables	(169,517)	(71,676)	(241,193)
Other payables and accruals	(996)	(10,036)	(11,032)
Net exposure to foreign exchange risk	375,320	(48,941)	326,379
As at 31 December 2024			
Cash and cash equivalents	321,190	14,456	335,646
Trade receivables	271,444	18,812	290,256
Other receivables	1	3,367	3,368
Trade payables	(231,910)	(81,228)	(313,138)
Other payables and accruals	(4,164)	(1,896)	(6,060)
Net exposure to foreign exchange risk	356,561	(46,489)	310,072
As at 31 December 2025			
Cash and cash equivalents	352,530	32,808	385,338
Trade receivables	266,829	32,519	299,348
Other receivables	50	3,719	3,769
Trade payables	(129,667)	(68,519)	(198,186)
Other payables and accruals	(2,213)	(229)	(2,442)
Net exposure to foreign exchange risk	487,529	298	487,827
As at 30 June 2026			
Cash and cash equivalents	558,355	18,192	576,547
Trade receivables	250,282	18,850	269,132
Other receivables	637	3,386	4,023
Trade payables	(129,579)	(126,804)	(256,383)
Other payables and accruals	(83,913)	(425)	(84,338)
Net exposure to foreign exchange risk	595,782	(86,801)	508,981

The Company

	USD	Other foreign currencies	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2023			
Cash and cash equivalents	312,270	9,177	321,447
Trade receivables	228,144	18,680	246,824
Other receivables	—	—	—
Trade payables	(67,590)	(24,342)	(91,932)
Other payables and accruals	(799)	—	(799)
Net exposure to foreign exchange risk	472,025	3,515	475,540
As at 31 December 2024			
Cash and cash equivalents	281,270	36	281,306
Trade receivables	297,189	32,476	329,665
Other receivables	—	—	—
Trade payables	(105,113)	(23,789)	(128,902)
Other payables and accruals	(4,098)	—	(4,098)
Net exposure to foreign exchange risk	469,248	8,723	477,971
As at 31 December 2025			
Cash and cash equivalents	289,402	7,816	297,218
Trade receivables	301,918	17,248	319,166
Other receivables	—	—	—
Trade payables	(54,565)	(24,332)	(78,897)
Other payables and accruals	(2,213)	—	(2,213)
Net exposure to foreign exchange risk	534,542	732	535,274
As at 30 June 2026			
Cash and cash equivalents	506,056	841	506,897
Trade receivables	217,733	35,822	253,555
Other receivables	—	—	—
Trade payables	(60,721)	(50,381)	(111,102)
Other payables and accruals	(83,108)	—	(83,108)
Net exposure to foreign exchange risk	579,960	(13,718)	566,242

The following table illustrates the sensitivity of the Group's and the Company's profit for the year/period and retained earnings regarding a 5% appreciation in the functional currencies of the Group's entities against the foreign currencies. These rates are the rates used when reporting foreign exchange risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's and the Company's exposure to foreign exchange risk at the end of the year/period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of each reporting period and held constant throughout the respective reporting period.

The Group

	Decrease in profit before income tax			
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	18,768	17,828	24,376	29,789
Other foreign currencies	(2,391)	(2,324)	15	(4,340)
	16,377	15,504	24,391	25,449

The Company

	(Increase)/decrease in profit before income tax			
	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	23,601	23,462	26,727	28,998
Other foreign currencies	176	436	37	(686)
	23,777	23,898	26,764	28,312

(ii) Interest rate risk

The Group and the Company's interest rate risk primarily arises from borrowings, cash and cash equivalents, and restricted bank deposits. Those carried at floating rates expose the Group and the Company to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 34.

The Group and the Company regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate risk. When necessary, the Group utilises interest rate swap instruments to hedge interest rate risk.

Sensitivity analysis is performed by management to assess the exposure of the Group's and the Company's financial instruments to cash flow interest rate risk at the end of each reporting period. If interest rates had been 100 basis points higher/lower for variable-rate financial instruments, with all other variables held constant as at 31 December 2023, 2024, 2025 and 30 June 2026, the Group's profit before income tax would decrease by approximately RMB3,701,000, RMB17,185,000, RMB16,286,000, and RMB4,629,000, respectively, and the Company's profit before income tax would decrease by approximately RMB5,193,000, RMB19,832,000, RMB8,858,000 and RMB3,837,000, respectively. Management considers that a 100 basis point movement is a reasonable estimate of possible changes in the interest rate for the next year.

(b) Credit risk

The Group and the Company is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade receivables, note receivables, deposits and other receivables and finance lease receivables. The carrying amount of each class of the above assets represents the Group and the Company's maximum exposure to credit risk in relation to the corresponding class of assets.

(i) Credit risk of cash and cash equivalents and restricted bank deposits

To manage this risk, the Group and the Company only make transactions with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The credit losses are assessed to be immaterial.

(ii) Credit risk of trade receivables

Before accepting any new customers, the Group and the Company applies an internal credit assessment policy to evaluate the potential customer's credit quality. Management closely monitors the credit quality of the customers and considers that the customers to be of good credit quality with strong financial position and no history of defaults.

Management has assessed the credit quality of customers on a case-by-case basis, taking into account of the financial positions, historical record, amounts and timing of expected receipts and other factors. The Group and the Company has reviewed the credit risk exposure and the customers' expected pattern of settlement at each reporting date. The Group and the Company does not have significant concentration of credit risk in industries or countries in which the customers operate. As at 31 December 2023, 2024, 2025 and 30 June 2026, 30%, 32%, 25% and 36% of the total trade receivables was due from the Group's largest 5 debtors, respectively; while 29%, 37%, 34% and 33% of the total trade receivables was due from the Company's largest 5 debtors, respectively

The Group and the Company applies the IFRS 9 simplified approach in calculating ECLs for trade receivables. A customer of the Group which had an aggregate gross carrying amount of approximately RMB8,368,000, RMB7,425,000 and RMB3,831,000 as at 31 December 2024 and 2025 and 30 June 2026, respectively were assessed for allowance for credit losses individually. The management assessed for the allowance for lifetime ECL by estimating default rate taking into account historical and forward-looking information. For customer subjected to individual assessment, the management has provided for impairment of approximately RMB4,184,000, RMB3,713,000 and RMB1,918,000 as at 31 December 2024 and 2025 and 30 June 2026, respectively.

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 for groupings of various customers with similar loss patterns. These include overseas customers and the customers in the PRC. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following table sets forth an aging analysis (based on past due date) of the gross trade receivables and the related loss allowances at the respective reporting dates:

The Group	**As at 31 December 2023**		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	522,858	26,231	5.02%
Past due 1 year	96,076	4,892	5.09%
Past due 1–2 years	2,820	564	20.00%
Past due 2–3 years	271	135	49.82%
Past due over 3 years	173	173	100.00%
	622,198	31,995	
Overseas customers			
Not yet past due	64,723	3,236	5.00%
Past due 1 year	14,010	701	5.00%
Past due 1–2 years	416	83	19.95%
	79,149	4,020	
	701,347	36,015	

The Company	**As at 31 December 2023**		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	490,968	24,547	5.00%
Past due 1 year	53,448	2,760	5.16%
Past due 1–2 years	2,712	543	19.99%
Past due 2–3 years	270	135	20.02%
Past due over 3 years	173	173	100.00%
	547,571	28,158	
Overseas customers			
Not yet past due	90,304	4,516	5.00%
Past due 1 year	13,993	700	5.00%
Past due 1–2 years	415	83	20.00%
	104,712	5,299	
	652,283	33,457	

The Group	As at 31 December 2024		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	782,069	39,103	5.00%
Past due 1 year	154,351	8,300	5.38%
Past due 1–2 years	12,038	2,408	20.00%
Past due 2–3 years	1,216	608	50.00%
Past due over 3 years	268	268	100.00%
	949,942	50,687	
Overseas customers			
Not yet past due	63,554	2,760	4.34%
Past due 1 year	42,343	2,222	5.25%
Past due 1–2 years	811	162	19.98%
Past due 2–3 years	283	142	50.18%
Past due over 3 years	66	66	100.00%
	107,057	5,352	
	1,056,999	56,039	

The Company	As at 31 December 2024		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	685,475	34,274	5.00%
Past due 1 year	90,584	4,639	5.12%
Past due 1–2 years	5,993	1,199	20.01%
Past due 2–3 years	1,180	590	50.00%
Past due over 3 years	268	268	100.00%
	783,500	40,970	
Overseas customers			
Not yet past due	95,126	4,756	5.00%
Past due 1 year	36,062	1,909	5.29%
Past due 1–2 years	811	162	19.98%
Past due 2–3 years	283	141	49.82%
Past due over 3 years	66	66	100.00%
	132,348	7,034	
	915,848	48,004	

The Group	As at 31 December 2025		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	987,633	49,406	5.00%
Past due 1 year	130,722	6,697	5.12%
Past due 1–2 years	12,421	2,694	21.69%
Past due 2–3 years	2,444	1,222	50.00%
Past due over 3 years	194	194	100.00%
	1,133,414	60,213	
Overseas customers			
Not yet past due	156,442	7,822	5.00%
Past due 1 year	19,001	965	5.08%
Past due 1–2 years	729	146	20.03%
Past due 2–3 years	698	349	50.00%
Past due over 3 years	468	468	100.00%
	177,338	9,750	
	1,310,752	69,963	

The Company	As at 31 December 2025		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	859,080	42,956	5.00%
Past due 1 year	73,523	3,708	5.04%
Past due 1–2 years	1,560	522	33.46%
Past due 2–3 years	2,291	1,145	49.98%
Past due over 3 years	194	194	100.00%
	936,648	48,525	
Overseas customers			
Not yet past due	134,111	6,706	5.00%
Past due 1 year	8,514	426	5.00%
Past due 1–2 years	729	146	20.03%
Past due 2–3 years	699	350	50.07%
Past due over 3 years	468	468	100.00%
	144,521	8,096	
	1,081,169	56,621	

The Group	As at 30 June 2026		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	1,275,571	63,778	5.00%
Past due 1 year	251,838	12,683	5.04%
Past due 1–2 years	10,425	2,135	20.48%
Past due 2–3 years	2,132	1,086	50.94%
Past due over 3 years	194	194	100.00%
	1,540,160	79,876	
Overseas customers			
Not yet past due	142,186	7,110	5.00%
Past due 1 year	34,475	1,724	5.00%
Past due 1–2 years	252	50	19.84%
Past due 2–3 years	833	416	49.94%
Past due over 3 years	283	283	100.00%
	178,029	9,583	
	1,718,189	89,459	

The Company	As at 30 June 2026		
Collectively assessed:	**Gross amount**	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
The PRC customers			
Not yet past due	1,050,623	52,531	5.00%
Past due 1 year	127,420	6,424	5.04%
Past due 1–2 years	2,107	441	20.93%
Past due 2–3 years	1,300	650	50.00%
Past due over 3 years	194	194	100.00%
	1,181,644	60,240	
Overseas customers			
Not yet past due	146,889	7,345	5.00%
Past due 1 year	30,132	1,506	5.00%
Past due 1–2 years	220	44	20.00%
Past due 2–3 years	834	417	50.00%
Past due over 3 years	283	283	100.00%
	178,358	9,595	
	1,360,002	69,835	

(iii) Credit risk of note receivables

Note receivables comprise bank acceptance bills. For bank acceptance bills, the issuers are reputable banks with high credit ratings and strong credit quality. Based on the Group and the Company's credit risk assessment, the credit risk associated with these bank acceptance bills is

considered insignificant. Consequently, no loss allowance has been recognised for bank acceptance bills at the end of each reporting period. No significant increase in credit risk was identified for the note receivables during the reporting periods.

(iv) Credit risk of deposits and other receivables

The Group

Deposits and other receivables and subject to credit risk mainly comprise amounts due from the related companies, deposits paid, other receivables and finance lease receivables. The management of the Group makes periodic individual assessment on the recoverability of amount due and deposits paid based on quantitative and qualitative information that is reasonable and supportable, including historical settlement records, past experiences and forward-looking information. The Group measures credit risk using probability of default, exposure at default and loss given default.

For impairment on deposits paid, other receivables and finance lease receivables, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in "Stage 1" and the expected credit losses are measured as 12-month expected credit losses. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to "Stage 2" but is not yet deemed to be credit-impaired, the expected credit losses are measured as lifetime expected credit loss. If any financial asset is credit-impaired, it is then moved to "Stage 3" and the expected credit loss is measured as lifetime expected credit loss.

The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL.

On that basis, the ECL rates applied for the Group were 29%, 13%, 23% and 2% for the year ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, respectively. The movements of loss allowance for deposits paid, other receivables and finance lease receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss allowance				
At the beginning of the year/period	1,796	2,630	4,401	2,013
Provision for/(reversal of) impairment loss recognised, net	3,855	1,915	(2,359)	280
Others	(3,021)	(144)	(29)	(112)
At the end of the year/period	2,630	4,401	2,013	2,181

The Company

Deposits and other receivables subject to credit risk mainly comprise deposits paid, other receivables and finance lease receivables. The management of the Company makes periodic individual assessment on the recoverability of amount due and deposits paid based on quantitative and qualitative information that is reasonable and supportable, including historical settlement records, past experiences and forward-looking information. The Company measures credit risk using probability of default, exposure at default and loss given default.

For impairment on deposits paid, other receivables and finance lease receivables, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in "Stage 1" and the expected credit losses are measured as 12-month expected credit losses. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to "Stage 2" but is not yet deemed to be credit-impaired, the expected credit losses are measured as lifetime expected credit loss. If any financial asset is credit-impaired, it is then moved to "Stage 3" and the expected credit loss is measured as lifetime expected credit loss.

The management of the Company believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL.

On that basis, the ECL rates applied for the Company were 7%, 7%, 8% and 6% for the year ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, respectively. The movements of loss allowance for deposits paid, other receivables and finance lease receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss allowance				
At the beginning of the year/period	43,538	100,619	195,069	232,340
Provision for/(reversal of) impairment loss recognised, net	57,081	94,450	37,271	(24,709)
At the end of the year/period	100,619	195,069	232,340	207,631

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. Liquidity risk is centrally managed by the finance department of the Group. The finance department ensures that the Group and the Company maintain sufficient funding to meet its debt obligations under reasonably foreseeable scenarios by monitoring cash balances, marketable securities, and rolling 12-months cash flow forecasts.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at each reporting date to the contractual maturity date for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or repayable on demand	Between 1 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023					
Trade payables	397,121	397,121	397,121	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	486,670	486,670	486,670	—	—
Borrowings (including interest accrual up to maturity)	1,003,467	1,055,009	277,499	777,510	—
Lease liabilities	58,076	77,513	27,533	49,980	—
	1,945,334	2,016,313	1,188,823	827,490	—
As at 31 December 2024					
Trade payables	511,816	511,816	511,816	—	—
Note payables	48,005	48,005	48,005	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	773,333	773,333	773,333	—	—
Borrowings (including interest accrual up to maturity)	2,601,230	2,681,656	1,244,289	1,437,367	—
Lease liabilities	76,946	81,759	36,491	45,268	—
	4,011,330	4,096,569	2,613,934	1,482,635	—
As at 31 December 2025					
Trade payables	586,636	586,636	586,636	—	—
Note payables	447,670	447,670	447,670	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	643,371	643,371	643,371	—	—
Borrowings (including interest accrual up to maturity)	3,644,924	3,729,018	1,676,213	2,052,805	—
Lease liabilities	85,564	90,775	40,645	50,130	—
	5,408,165	5,497,470	3,394,535	2,102,935	—
As at 30 June 2026					
Trade payables	883,273	883,273	883,273	—	—
Note payables	805,099	805,099	805,099	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	616,858	616,858	616,858	—	—
Borrowings (including interest accrual up to maturity)	4,683,244	4,846,465	2,645,436	1,402,471	798,558
Lease liabilities	125,548	133,690	46,036	87,654	—
	7,114,022	7,285,385	4,996,702	1,490,125	798,558

The Company	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or repayable on demand	Between 1 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023					
Trade payables	348,062	348,062	348,062	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	287,018	287,018	287,018	—	—
Borrowings (including interest accrual up to maturity)	858,701	898,383	235,651	662,732	—
Lease liabilities	14,294	16,230	6,292	9,938	—
	1,508,075	1,549,693	877,023	672,670	—
As at 31 December 2024					
Trade payables	513,177	513,177	513,177	—	—
Note payables	48,005	48,005	48,005	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	264,423	264,423	264,423	—	—
Borrowings (including interest accrual up to maturity)	2,459,910	2,536,849	1,121,935	1,414,914	—
Lease liabilities	9,178	9,938	3,514	6,424	—
	3,294,693	3,372,392	1,951,054	1,421,338	—
As at 31 December 2025					
Trade payables	572,950	572,950	572,950	—	—
Note payables	455,170	455,170	455,170	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	203,533	203,533	203,533	—	—
Borrowings (including interest accrual up to maturity)	2,573,072	2,732,699	1,377,175	1,355,524	—
Lease liabilities	8,674	9,280	3,756	5,524	—
	3,813,399	3,973,632	2,612,584	1,361,048	—
As at 30 June 2026					
Trade payables	853,247	853,247	853,247	—	—
Note payables	831,581	831,581	831,581	—	—
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	343,750	343,750	343,750	—	—
Borrowings (including interest accrual up to maturity)	3,368,911	3,606,552	2,179,884	1,067,562	359,106
Lease liabilities	8,687	9,122	4,015	5,107	—
	5,406,176	5,644,252	4,212,477	1,072,669	359,106

41.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including borrowings and lease liabilities) less cash and cash equivalents and restricted bank deposits. Total equity is calculated as equity as shown in the consolidated statements of financial position.

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	1,003,467	2,601,230	3,644,924	4,683,244
Lease liabilities	58,076	76,946	85,564	125,548
Less: Cash and cash equivalents	(953,089)	(1,119,625)	(1,007,592)	(3,406,862)
Restricted bank deposits	(5,858)	(35,455)	(303,056)	(275,611)
Net debt	102,596	1,523,096	2,419,840	1,126,319
Total equity	4,129,807	4,427,857	4,825,933	7,183,928
Net debt to equity ratio	0.02	0.34	0.50	0.16

41.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the Historical Financial Information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under IFRS Accounting Standards.

(i) Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(iii) Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at 31 December 2023, 2024 and 2025 and 30 June 2026.

The fair value of unlisted equity investment classified as financial assets at FVTPL and financial assets at FVTOCI is determined by the directors of the Company, representing a Level 3 recurring fair value measurement.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Assets				
Financial assets at FVTPL				
— Listed equity investments	166,410	—	—	166,410
— Unlisted equity investments	—	—	119,473	119,473
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	15,869	15,869
Note receivables	—	14,785	—	14,785
	166,410	14,785	135,342	316,537

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
Assets				
Financial assets at FVTPL				
— Listed equity investments	80,378	—	—	80,378
— Unlisted equity investments	—	—	118,005	118,005
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	17,303	17,303
Note receivables	—	16,751	—	16,751
	80,378	16,751	135,308	232,437

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025				
Assets				
Financial assets at FVTPL				
— Listed equity investments	104,820	—	—	104,820
— Unlisted equity investments	—	—	143,137	143,137
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	9,573	9,573
Note receivables	—	94,112	—	94,112
	104,820	94,112	152,710	351,642

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2026				
Assets				
Financial assets at FVTPL				
— Listed equity investments	166,239	—	—	166,239
— Unlisted equity investments	—	—	299,269	299,269
Financial assets at FVTOCI				
— Unlisted equity investments	—	—	14,573	14,573
Note receivables	—	53,468	—	53,468
	166,239	53,468	313,842	533,549

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other technique, such as net assets approach and market approach is used to determine fair value for the remaining financial instrument.

There were no changes in valuation techniques during the Track Record Period.

(c) Fair value measurements using significant unobservable inputs

The following table presents the movements in level 3 items for the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026:

Level 3	Financial assets at FVTPL	Financial assets at FVTOCI	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	35,425	13,573	48,998
Additions	62,411	—	62,411
Fair value changes	21,637	2,296	23,933
As at 31 December 2023	119,473	15,869	135,342
As at 1 January 2024	119,473	15,869	135,342
Disposals	(818)	—	(818)
Fair value changes	(650)	1,434	784
As at 31 December 2024	118,005	17,303	135,308
As at 1 January 2025	118,005	17,303	135,308
Additions	16,000	—	16,000
Disposals	(731)	(7,730)	(8,461)
Fair value changes	9,863	—	9,863
As at 31 December 2025	143,137	9,573	152,710
As at 1 January 2026	143,137	9,573	152,710
Additions	4,000	5,000	9,000
Disposals	(10,131)	—	(10,131)
Transfer from associates	162,263	—	162,263
As at 30 June 2026	299,269	14,573	313,842

(d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value				Valuation techniques	Significant unobservable inputs	Range of inputs				Relationship of key assumptions to fair value			
	As at 31 December			As at 30 June			As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2023	2024	2025	2026			2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*										
Financial assets at FVTPL														
Unlisted equity investments .	83,445	81,977	106,237	100,106	Net assets value[(i)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	–	20,000	–	11,480	Guideline public company method	(i) Enterprise value to sales ratio ("**EV/S Ratio**")	N/A	(i) 3.37% (ii) 25.6%	N/A	(i) 3.37% to 13.37% (ii) DLOM of 25.6% to 28.2%.	N/A	(i) 5% increase in EV/S ratio would result in increase in fair value by approximately RMB240,000 while an 5% decrease in EV/S ratio would result in decrease in fair value by approximately RMB240,000 (ii) 5% increase in DLOM would result decrease in fair value by approximately RMB2,960,000 while a 5% decrease in DLOM would result in increase in fair value by approximately RMB2,960,000.	N/A	(i) 5% increase in EV/S ratio would result in increase in fair value by approximately RMB250,000 while an 5% decrease in EV/S ratio would result in decrease in fair value by approximately RMB250,000 (ii) 5% increase in DLOM would result decrease in fair value by approximately RMB1,970,000 while a 5% decrease in DLOM would result in increase in fair value by approximately RMB1,970,000.
						(ii) Discount for lack of marketability ("**DLOM**")								

Description	Fair value				Valuation techniques	Significant unobservable inputs	Range of inputs				Relationship of key assumptions to fair value			
	As at 31 December			As at 30 June			As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2023	2024	2025	2026			2023	2024	2025	2026	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*										
	36,028	16,028	36,900	187,683	Recent financing price method	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	119,473	118,005	143,137	299,269										
Financial assets at FVTOCI														
Unlisted equity investments .	15,869	17,303	9,573	9,573	Net assets value[(i)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	5,000	Recent financing price method	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	15,869	17,303	9,573	14,573										

(i) The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

42 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended 31 December 2023, 2024 and 2025 and the six months ended 30 June 2025 and 2026.

Name of related parties	Relationship
Beijing Ruisheng Precision Semiconductor Technology Co., Ltd. 北京睿昇精機半導體科技有限公司	Associates
Guizhou Xingtai New Materials Research Institute Co., Ltd. 貴州興鈦新材料研究院有限公司	Associates
Shenyang Hengjin Vacuum Technology Co., Ltd. 瀋陽恒進真空科技有限公司	Associates
Ningbo Xinfeng Precision Technology Co., Ltd. 寧波芯豐精密科技有限公司	Associates
Shanghai Runping Electronic Materials Co., Ltd. ("**Shanghai Runping**") 上海潤平電子材料有限公司	Associates
Hangzhou Ruisheng 杭州睿昇半導體科技有限公司	Associates
Ningbo Konfoong Tongxin Semiconductor Materials Co., Ltd. 寧波江豐同芯半導體材料有限公司	Associates
Beijing Jiangfeng Tongchuang Semiconductor Industry Fund (Limited Partnership) 北京江豐同創半導體產業基金(有限合夥)	Associates
Ningbo Chuangrun New Materials Co., Ltd. 寧波創潤新材料集團股份有限公司	Associates
Gaisbo Semiconductor Technology (Shanghai) Co., Ltd. 蓋斯博半導體科技(上海)有限公司	Subsidiary of an associate
Ningbo Runping Electronic Materials Co., Ltd. 寧波潤平電子材料有限公司	Subsidiary of an associate
Shanghai Jiangfeng Pingxin Electronic Technology Co., Ltd. 上海江豐平芯電子科技有限公司	Subsidiary of an associate
Shenyang Ruisheng Precision Manufacturing Co., Ltd. 瀋陽睿昇精密製造有限公司	Subsidiary of an associate
Ningbo Pingheng Electronic Materials Co., Ltd. 寧波平恒電子材料有限公司	Subsidiary of an associate
Shenyang Hengrun Vacuum Technology Co., Ltd. 瀋陽恒潤真空科技有限公司	Subsidiary of an associate

Name of related parties	Relationship
Wuhan Xinfeng Precision Technology Co., Ltd. 武漢芯豐精密科技有限公司	Subsidiary of an associate
Shanghai Xinfeng Jingrui Superhard Materials Co., Ltd. 上海芯豐晶銳超硬材料有限公司	Subsidiary of an associate
Ningbo Blue Dream Trading Co., Ltd. 寧波蔚藍夢想貿易有限公司	Entity which Dr. Yao has significant influence
Ningbo Yangming Industrial Technology Research Institute Co., Ltd. 寧波陽明工業技術研究院有限公司	Entity which Dr. Yao has significant influence
Ningbo Jiangfeng Taishen Intelligent Equipment Co., Ltd. 寧波江豐泰森智能裝備有限公司	Entity which Dr. Yao has significant influence
Ningbo Zhaoying Medical Devices Co., Ltd. 寧波兆盈醫療器械有限公司	Entity which Dr. Yao has significant influence
Ningbo Scenertech Bioinformatics Technology Co., Ltd. 寧波江豐生物信息技術有限公司	Entity which Dr. Yao has significant influence
Zhejiang Jingsheng Film Technology Co., Ltd. 浙江景昇薄膜科技有限公司	Entity which Dr. Yao has significant influence
Zhejiang Yangming Jiangfeng Enterprise Management Consulting Co., Ltd. 浙江陽明江豐企業管理諮詢有限公司	Entity which Dr. Yao has significant influence
Hunan Tongchuang Plasma Technology Co., Ltd. 湖南同創等離子科技有限公司	Entity which Dr. Yao has significant influence
Soleras Advanced Coatings, Ltd. Soleras Advanced Coatings, Ltd.	Subsidiary of a company which Dr. Yao has significant influence
Soleras Advanced Coatings BV Soleras Advanced Coatings BV	Subsidiary of a company which Dr. Yao has significant influence
Soleras Coating Industry (Jiangyin) Co., Ltd. 梭萊鍍膜工業(江陰)有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Weitai Vacuum Technology Co., Ltd. 寧波微泰真空技術有限公司	Subsidiary of a company which Dr. Yao has significant influence
Tongchuang (Lishui) Special Materials Co., Ltd. 同創(麗水)特種材料有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Yangming Medical Testing Laboratory Co., Ltd. 寧波陽明醫學檢驗實驗室有限公司	Subsidiary of a company which Dr. Yao has significant influence
Harbin Tongchuang Purun Group Co., Ltd. 哈爾濱同創普潤集團有限公司	Subsidiary of a company which Dr. Yao has significant influence

Name of related parties	Relationship
Harbin Tongchuang Purun Technology Co., Ltd. 哈爾濱同創普潤科技有限公司	Subsidiary of a company which Dr. Yao has significant influence
Hunan Tongchuang Purun New Materials Co., Ltd. 湖南同創普潤新材料有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Tongchuang Purun New Materials Co., Ltd. 寧波同創普潤新材料有限公司	Subsidiary of a company which Dr. Yao has significant influence
MKN Aluminum Co., Ltd. (Japan) MKN鋁業株式會社	Subsidiary of a company which Dr. Yao has significant influence
Shenyang Jiangfeng Tongchuang Precision Manufacturing Co., Ltd. 瀋陽江豐同創精密製造有限公司	Subsidiary of a company which Dr. Yao has significant influence
Harbin Shenghong Technology Co., Ltd. 哈爾濱勝泓科技有限公司	Subsidiary of a company which Dr. Yao has significant influence
Guangdong Wanhong Tongchuang Industrial Technology Co., Ltd. 廣東萬宏同創工業科技有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Jiangfeng Tongchuang Special Ceramics Technology Co., Ltd. 寧波江豐同創特種陶瓷技術有限公司	Subsidiary of a company which Dr. Yao has significant influence
Guangdong Jiangfeng Tongchuang Technology Co., Ltd. 廣東江豐同創科技有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Saipo New Materials Co., Ltd. 寧波賽珀新材料有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Xingsheng Photovoltaic Power Generation Co., Ltd. 寧波勝泓光伏發電有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Yangming Chip City Technology Co., Ltd. 寧波陽明芯城科技有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Yingwei Taike New Materials Co., Ltd. 寧波贏偉泰科新材料有限公司	Subsidiary of a company which Dr. Yao has significant influence
Tongchuang Purun (Shanghai) Electromechanical High-Tech Co., Ltd. 同創普潤(上海)機電高科技有限公司	Subsidiary of a company which Dr. Yao has significant influence
Ningbo Chuangzhi Ultra-Pure New Materials Co., Ltd. 寧波創致超純新材料有限公司	Subsidiary of a company which Dr. Yao has significant influence

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following significant transactions with related parties:

(a) Significant transactions with related parties

(i) Purchases of goods or services from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	112,299	7,927	10,818	5,893	9,867
Subsidiaries of an associate	58,614	110,288	169,575	62,537	118,214
Entity which Dr. Yao has significant influence	41,172	36,987	25,946	10,491	3,132
Subsidiaries of companies which Dr. Yao has significant influence	315,902	836,768	1,040,078	439,858	901,880
	527,987	991,970	1,246,417	518,779	1,033,093

(ii) Sales of goods or services from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	6,045	20,123	9,702	5,761	4,392
Subsidiaries of an associate	80	52,172	63,065	40,118	56,898
Entity which Dr. Yao has significant influence	117	115	540	20	37
Subsidiaries of companies which Dr. Yao has significant influence	99,209	28,474	137,863	85,043	72,966
	105,451	100,884	211,170	130,942	134,293

(iii) Rental income from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	1,072	—	—	—	2,288
Subsidiaries of an associate	—	320	209	112	415
Entity which Dr. Yao has significant influence	555	310	396	179	115
Subsidiaries of companies which Dr. Yao has significant influence	2,141	4,182	4,253	1,911	2,700
	3,768	4,812	4,858	2,202	5,518

(iv) Rental payment from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	221	—	—	—	—
Subsidiaries of an associate	720	—	844	—	3,348
Entity which Dr. Yao has significant influence	2,424	1,546	1,056	1,399	408
Subsidiaries of companies which Dr. Yao has significant influence	1,021	18,817	31,399	2,058	10,153
	4,386	20,363	33,299	3,457	13,909

(v) Interest on lease liabilities to related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	12	—	—	—	—
Subsidiaries of an associate	37	—	—	—	—
Entity which Dr. Yao has significant influence	195	95	60	44	14
Subsidiaries of companies which Dr. Yao has significant influence	1,734	1,913	2,022	941	1,521
	1,978	2,008	2,082	985	1,535

(vi) Addition on right-of-use assets from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	5	—	—	—	—
Entity which Dr. Yao has significant influence	2,623	—	—	374	—
Subsidiaries of companies which Dr. Yao has significant influence	2,326	30,276	41,258	11,529	26,569
	4,954	30,276	41,258	11,903	26,569

(vii) Disposal of right-of-use assets from related parties

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Subsidiary of an associate	140	—	—	—	—
Entity which Dr. Yao has significant influence	—	4,772	636	—	—
	140	4,772	636	—	—

(viii) Acquisition of property, plant and equipment

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Associates	1,227	3,777	4,318	1,660	11,501
Subsidiaries of an associate	1,239	2,531	5,549	53	43,704
Entity which Dr. Yao has significant influence	3,122	1,719	20,610	2,045	26
Subsidiaries of companies which Dr. Yao has significant influence	—	1,083	242,765	280	46,366
	5,588	9,110	273,242	4,038	101,597

(ix) Disposal of property, plant and equipment

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Subsidiary of an associate	—	265	—	—	—
Subsidiaries of companies which Dr. Yao has significant influence	21,596	1,631	6,318	—	—
	21,596	1,896	6,318	—	—

(b) Balance with related parties

Trade receivables	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associates	3,500	6,599	4,627	5,749
Subsidiaries of an associate	3,904	11,604	6,596	122,686
Entity which Dr. Yao has significant influence	—	142	649	255
Subsidiaries of companies which Dr. Yao has significant influence	12,148	2,866	32,630	48,188
	19,552	21,211	44,502	176,878

Trade payables	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associates	29,742	2,532	2,308	1,694
Subsidiaries of an associate	9,219	6,726	22,551	70,409
Entity which Dr. Yao has significant influence	7,709	4,086	5,290	1,449
Subsidiaries of companies which Dr. Yao has significant influence	128,121	202,488	197,854	329,072
	174,791	215,832	228,003	402,624

Prepayment	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associates	—	60	180	1
Subsidiaries of companies which Dr. Yao has significant influence	6,674	1,295	2,731	1,957
	6,674	1,355	2,911	1,958

Other receivables	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associates	544	—	—	—
Subsidiaries of an associate	329	—	—	—
	873	—	—	—

Prepayment	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associates	1,011	—	30,075	34,449
Subsidiaries of a company which Dr. Yao has significant influence	—	2,060	1,220	2,782
Entity which Dr. Yao has significant influence	10	7	2,220	—
Subsidiaries of companies which Dr. Yao has significant influence	—	1,354	2,087	120
	1,021	3,421	35,602	37,351

Lease liabilities	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associates	204	—	—	—
Subsidiaries of an associate	635	—	—	—
Entity which Dr. Yao has significant influence	3,555	1,831	965	436
Subsidiaries of companies which Dr. Yao has significant influence	23,078	38,984	61,142	84,900
	27,472	40,815	62,107	85,336

(c) Key management compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in Note 9, was as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Directors' fee, salaries, allowances, bonus and benefits in kind	8,072	9,690	10,190	4,678	4,970
Share-based payment	808	252	64	55	76
Contributions to defined contribution plans, housing funds and other social insurances	476	476	462	231	375
	9,356	10,418	10,716	4,964	5,421

(d) Guarantee provided to related parties

(i) Guarantee provided by a related party

During the Track Record Period, Dr. Yao provided guarantee to a subsidiary of the Group of approximately RMB25,000,000 and RMB300,000,000 as at 31 December 2023 and 30 June 2026, respectively. The guarantee was completed in January 2024 and cancelled in October 2026, respectively.

43 RECONCILIATIONS OF LIABILITIES FROM FINANCING ACTIVITIES

	Lease liabilities	Borrowings	Total
	(Note 20) *RMB'000*	*(Note 34)* *RMB'000*	*RMB'000*
As at 1 January 2023	41,017	386,844	427,861
Changes from financing cash flows:			
Proceeds from borrowings	—	1,438,394	1,438,394
Repayments of borrowings	—	(805,115)	(805,115)
Interests paid	—	(24,303)	(24,303)
Repayment of principal portion on lease liabilities	(17,023)	—	(17,023)
Repayment of interest portion on lease liabilities	(2,514)	—	(2,514)
Total changes from financing cash flows	(19,537)	608,976	589,439

	Lease liabilities	Borrowings	Total
	(Note 20)	*(Note 34)*	
	RMB'000	*RMB'000*	*RMB'000*
Other changes:			
Accured interest	—	(1,169)	(1,169)
Interest expenses *(Note 13)*	2,514	25,201	27,715
Increase in lease liabilities from entering into new leases during the year	39,301	—	39,301
Lease modification	(15,730)	—	(15,730)
Acquisition of a subsidiary *(Note 44)*	11,588	68,580	80,168
Disposal of subsidiaries *(Note 45)*	(1,077)	(84,965)	(86,042)
Total other changes	36,596	7,647	44,243
As at 31 December 2023 and 1 January 2024	58,076	1,003,467	1,061,543
Changes from financing cash flows:			
Proceeds from borrowings	—	2,165,422	2,165,422
Repayments of borrowings	—	(408,278)	(408,278)
Interests paid	—	(40,779)	(40,779)
Repayment of principal portion on lease liabilities	(30,373)	—	(30,373)
Repayment of interest portion on lease liabilities	(3,649)	—	(3,649)
Total changes from financing cash flows	(34,022)	1,716,365	1,682,343
Other changes:			
Interest expenses *(Note 13)*	3,649	50,068	53,717
Accrued interest	—	(8,280)	(8,280)
Increase in lease liabilities from entering into new leases during the year	51,504	—	51,504
Lease modification	(1,978)	—	(1,978)
Disposal of subsidiaries *(Note 45)*	(283)	(160,390)	(160,673)
Total other changes	52,892	(118,602)	(65,710)
As at 31 December 2024 and 1 January 2025	76,946	2,601,230	2,678,176
Changes from financing cash flows:			
Proceeds from borrowings	—	2,671,870	2,671,870
Repayments of borrowings	—	(1,841,101)	(1,841,101)
Interests paid	—	(77,994)	(77,994)
Repayment of principal portion on lease liabilities	(35,916)	—	(35,916)
Repayment of interest portion on lease liabilities	(3,414)	—	(3,414)
Total changes from financing cash flows	(39,330)	752,775	713,445

	Lease liabilities	Borrowings	Total
	(Note 20)	*(Note 34)*	
	RMB'000	*RMB'000*	*RMB'000*
Other changes:			
Interest expenses *(Note 13)*	3,414	80,800	84,214
Accrued interest	—	3,855	3,855
Increase in lease liabilities from entering into new leases during the year	45,011	—	45,011
Lease modification	(477)	—	(477)
Addition of property, plant and equipment through borrowing	—	206,264	206,264
Total other changes	47,948	290,919	338,867
As at 31 December 2025	85,564	3,644,924	3,730,488

	Lease liabilities	Borrowings	Total
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
As at 1 January 2025	76,946	2,601,230	2,678,176
Changes from financing cash flows:			
Proceeds from borrowings	—	1,416,853	1,416,853
Repayments of borrowings	—	(782,758)	(782,758)
Interests paid	—	(34,144)	(34,144)
Repayment of principal portion on lease liabilities	(13,910)	—	(13,910)
Repayment of interest portion on lease liabilities	(1,608)	—	(1,608)
Total changes from financing cash flows	(15,518)	599,951	584,433
Other changes:			
Interest expenses *(Note 13)*	1,608	38,571	40,179
Accrued interest	—	(3,454)	(3,454)
Increase in lease liabilities from entering into new leases during the period	12,761	—	12,761
Total other changes	14,369	35,117	49,486
As at 30 June 2025	75,797	3,236,298	3,312,095

	Lease liabilities	Borrowings	Total
	(Note 20)	*(Note 34)*	
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2026	85,564	3,644,924	3,730,488
Changes from financing cash flows:			
Proceeds from borrowings	—	1,581,855	1,581,855
Repayments of borrowings	—	(548,539)	(548,539)
Interests paid	—	(37,808)	(37,808)
Repayment of principal portion on lease liabilities	(15,301)	—	(15,301)
Repayment of interest portion on lease liabilities	(1,953)	—	(1,953)
Total changes from financing cash flows	(17,254)	995,508	978,254
Other changes:			
Interest expenses *(Note 13)*	1,953	52,278	54,231
Accrued interest	—	(9,466)	(9,466)
Increase in lease liabilities from entering into new leases during the period	55,285	—	55,285
Total other changes	57,238	42,812	100,050
As at 30 June 2026	125,548	4,683,244	4,808,792

44 ACQUISITIONS OF SUBSIDIARIES

(i) Acquisition of Hangzhou Ruisheng

In October 2023, Shanghai Ruisheng Semiconductor Technology Co., Ltd., a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement to acquired 9% equity interest in an associate, Hangzhou Ruisheng, which were principally engaged in operation of manufacturing and sales of semiconductor and semiconductor precision components for integrated circuits at cash consideration of RMB2,700,000. Upon completion of the acquisition, Hangzhou Ruisheng has become an indirect non-wholly owned subsidiary of the Company.

The Group remeasured the fair value of the equity interest in Hangzhou Ruisheng at the acquisition date and recognised a gain of approximately RMB5,760,000 on the remeasurement of the Group's previously held equity interest in Hangzhou Ruisheng and has been recognised in the profit or loss and presented as "Gain on remeasurement of previously held equity interest in associates" in the statements of profit or loss.

Details of the carrying value and fair value of the Group's previously held equity interest in Hangzhou Ruisheng at the acquisition date are summarised as follows:

	RMB'000
Fair value of previously held equity interest	14,405
Less: Carrying amount of the associate	(8,645)
Gain on remeasurement of previously held equity interest in associates *(Note 11)*	5,760

The net identifiable assets of Hangzhou Ruisheng at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment *(Note 18)*	53,065
Right-of-use assets *(Note 20)*	11,846
Intangible assets *(Note 21)*	9,916
Deferred tax assets *(Note 22)*	9,566
Inventories	15,557
Trade receivables	34,053
Prepayments, deposits and other receivables	12,707
Cash and cash equivalents	3,088
Trade payables	(30,812)
Other payables and accruals	(2,470)
Contract liabilities *(Note 33)*	(45)
Borrowings	(68,580)
Lease liabilities *(Note 20)*	(11,588)
Current tax liabilities	(84)
Deferred tax liabilities *(Note 22)*	(6,208)
Total net identifiable assets	30,011
Recognition of non-controlling interests	(12,905)
	17,106
Gain on bargain purchase *(Note 11)*	(1)
Total consideration	17,105
Satisfied by:	
Cash consideration	2,700
Fair value of previously held equity interest at the acquisition date	14,405
	17,105
Net cash inflow arising on acquisition of a subsidiary:	
Cash and cash equivalents acquired	3,088
Less: Cash consideration paid	(2,700)
	388

The Group recognised a gain on bargain purchase of approximately RMB1,000 in the business combination. The gain on bargain purchase arose primarily attributable to the seller's financial distress.

The fair value of acquired trade receivables was approximately RMB34,053,000. The gross contractual amount for trade receivables due was approximately RMB34,053,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is closed to zero.

The Group elected to measure the non-controlling interests in Hangzhou Ruisheng at its proportionate share of the acquired net identifiable assets. The amount of non-controlling interests at the acquisition date amounted to approximately RMB12,905,000.

Hangzhou Ruisheng contributed revenue and a profit of approximately RMB37,179,000 and RMB6,934,000 to the Group's revenue and profit respectively for the period between the acquisition date and the end of the year ended 31 December 2023.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and net profit for the year ended 31 December 2023 would have been RMB148,715,000 and RMB27,736,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is intended to be a projection of future results.

Acquisition-related costs, which were immaterial, are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

45 DISPOSALS OF SUBSIDIARIES

(i) Disposal of Shanghai Runping

In December 2023, the Group completed disposal of 19.50% equity interest in Shanghai Runping together with its subsidiaries at a cash consideration of approximately RMB2,338,000. Upon completion of the disposal, Shanghai Runping became an associate with 30.54% effective equity interest held by the Group.

The net assets of Shanghai Runping at the date of disposal were as follows:

	RMB'000
Property, plant and equipment *(Note 18)*	39,268
Right-of-use assets *(Note 20)*	1,023
Intangible assets *(Note 21)*	38
Deferred tax assets *(Note 22)*	1,620
Inventories	27,327
Trade receivables	26,104
Note receivables	16
Prepayments, deposits and other receivables	6,407
Cash and cash equivalents	13,463
Trade payables	(12,754)
Other payables and accruals	(6,725)
Contract liabilities *(Note 33)*	(8)
Borrowings	(84,965)
Lease liabilities *(Note 20)*	(1,077)
Current tax liabilities	(1,974)
Deferred income *(Note 35)*	(1,249)
Deferred tax liabilities *(Note 22)*	(1,670)
Net assets disposed of	4,844
Release of non-controlling interests	(2,419)
	2,425
Fair value of retained interests which became investments in associates *(Note 17)*	(3,662)
Gain disposal of subsidiaries *(Note 11)*	3,575
Total consideration satisfied by cash	2,338
Net cash outflow arising on disposal of a subsidiary:	
Cash consideration received	2,338
Cash and cash equivalents disposed of	(13,463)
	(11,125)

(ii) Disposal of Wuhan Konfoong Materials

In January 2024, the non-controlling shareholder of Wuhan Konfoong Materials has completed a capital injection into Wuhan Konfoong Materials, resulting in the dilution of the Group's effective equity interest from 92.94% to 43.47%. Accordingly, the Group ceased to control Wuhan Konfoong Materials and accounted for its retained interest as an investment in an associate thereafter.

The net assets of Wuhan Konfoong Materials at the date of disposal were as follows:

	RMB'000
Property, plant and equipment *(Note 18)*	2,363
Right-of-use assets *(Note 20)*	23,112
Prepayments	164
Cash and cash equivalents	226
Borrowings	(610)
Current tax liabilities	(32)
Net assets disposed of	25,223
Release of non-controlling interests	(1,781)
	23,442
Fair value of retained interests which became investments in associates *(Note 17)*	(25,250)
Gain on disposal of subsidiaries *(Note 11)*	1,808
Total consideration satisfied by cash	—
Net cash outflow arising on disposal of a subsidiary:	
Cash consideration received	—
Cash and cash equivalents disposed of	(226)
	(226)

(iii) Disposal of Konfoong Tongxin

In October 2024, the Group completed disposal of 19.00% equity interest in Konfoong Tongxin at a cash consideration of approximately RMB9,500,000. Upon completion of the disposal, Konfoong Tongxin became an associate with 25.00% effective equity interest held by the Group.

The net liabilities of Konfoong Tongxin at the date of disposal were as follows:

	RMB'000
Property, plant and equipment *(Note 18)*	82,039
Right-of-use assets *(Note 20)*	639
Intangible assets *(Note 21)*	354
Inventories	33,538
Trade receivables	10,552
Note receivables	614
Prepayments, deposits and other receivables	732
Cash and cash equivalents	10,256
Trade payables	(11,959)
Other payables and accruals	(1,949)
Contract liabilities *(Note 33)*	(11)
Borrowings	(159,780)
Lease liabilities *(Note 20)*	(283)
Current tax liabilities	(189)
Deferred income *(Note 35)*	(2,062)
Deferred tax liabilities *(Note 22)*	(160)
Net liabilities disposed of	(37,669)
Release of non-controlling interests	17,117
	(20,552)
Fair value of retained interests which became investments in associates *(Note 17)*	(13,435)
Gain disposal of subsidiaries *(Note 11)*	43,487
Total consideration satisfied by cash	9,500
Net cash outflow arising on disposal of a subsidiary:	
Cash consideration received	9,500
Cash and cash equivalents disposed of	(10,256)
	(756)

(iv) Disposal of Beijing Fengke Jingsheng Electronic Materials Co., Ltd. ("Beijing Fengke")

In May 2026, certain independent investors completed capital injections into Beijing Fengke, resulting in the dilution of the Group's effective equity interest from 100% to 44.84%. Accordingly, the Group ceased to control Beijing Fengke and accounted for its retained interest as an investment in an associate thereafter.

The net assets of Beijing Fengke with its subsidiaries at the date of disposal were as follows:

	RMB'000
Property, plant and equipment *(Note 18)*	188,111
Right-of-use assets *(Note 20)*	11,216
Intangible assets *(Note 21)*	174
Deferred tax assets *(Note 22)*	6,630
Inventories	204,435
Trade receivables	77,575
Note receivables	1,006
Prepayments, deposits and other receivables	49,532
Cash and cash equivalents	11,607
Trade payables	(166,037)
Other payables and accruals	(13,101)
Current tax liabilities	(2,166)
Net assets disposed of	368,982
Fair value of retained interests which became investments in associates *(Note 17)*	(400,000)
Gain on disposal of subsidiaries *(Note 11)*	31,018
Total consideration satisfied by cash	—
Net cash outflow arising on disposal of a subsidiary:	
Cash consideration received	—
Cash and cash equivalents disposed of	(11,607)
	(11,607)

46 PLEDGED ASSETS

At the end of each reporting period, the Group's and the Company's certain assets have been primarily pledged to secure note payables, borrowings and banking facilities granted to the Group and the Company. The carrying amounts of the pledged assets of the Group and the Company at the end of each reporting period are as follows:

The Group	**As at 31 December**			**As at 30 June**
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits	5,858	35,455	303,056	275,611
Property, plant and equipment	264,039	320,547	1,208,920	1,341,582
Right-of-use assets	41,979	40,958	157,664	188,519
Investment properties	—	—	104,761	101,913
	311,876	396,960	1,774,401	1,907,625

The Company	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits	5,852	22,057	303,047	272,058
Property, plant and equipment	135,972	126,214	116,457	111,578
Right-of-use assets	17,395	16,919	16,444	16,206
	159,219	165,190	435,948	399,842

47 COMMITMENTS

Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Acquisition of machinery and equipment	229,040	467,612	1,047,696	931,894
Construction of buildings	925,681	764,891	593,449	447,062
	1,154,721	1,232,503	1,641,145	1,378,956

48 CONTINGENT LIABILITIES

No material contingent liabilities undertaken by or impacted on the Company or the Group as at each reporting date during the Track Record Period.

49 DIVIDENDS

(a) During each of the reporting periods, the board of directors declared the final dividends as follows:

The final dividends of RMB0.200, RMB0.306 and RMB0.386 (inclusive of tax) for each ordinary share to all shareholders whose names were registered in the register of members and who were entitled to participate in the distribution on the record date in respect of the years ended 31 December 2023, 2024 and 2025 were approved by the General Meeting of the Company.

(b) Dividends attributable to the previous year, approved and paid during the current reporting period:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Final dividend approved and paid during the reporting period	54,707	52,871	80,876	80,876	102,020

50 SUBSEQUENT EVENTS

[•]

51 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2026.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

This appendix mainly provides potential **[REDACTED]** with an overview of the Articles of Association. The following information is only a summary and may not include all the materials that may be important to potential **[REDACTED]**.

SHARES AND REGISTERED CAPITAL

The Company's shares are in the form of stock. The issuance of the Company's shares follows the principles of openness, fairness, and justice. Each share of the same category shall have equal rights. Shares of the same category issued at the same time shall have the same issuance conditions and price; any subscriber subscribing for shares shall pay the same amount per share.

INCREASE, DECREASE AND REPURCHASE OF SHARES

Increase and Decrease of Shares

The Company may increase its capital by the following methods in accordance with the needs of its operation and development, in compliance with laws, regulations, and upon resolutions passed by the general meeting:

(I) issuing shares to unspecified investors;

(II) issuing shares to specific investors;

(III) distributing bonus shares to existing shareholders;

(IV) converting common reserve fund into share capital;

(V) other methods approved by laws, administrative regulations and the securities regulatory rules of the place(s) where the Company's shares are listed.

The Company may reduce its registered capital. The reduction of the Company's registered capital shall be carried out in accordance with the procedures stipulated by the Company Law and other relevant regulations and the Articles of Association.

Repurchase of Shares

The Company shall not repurchase its own shares, except under any of the following circumstances:

(I) to reduce the Company's registered capital;

(II) to merge with another company holding the Company's shares;

(III) to use the shares for employee stock ownership plans or equity incentives;

(IV) to repurchase shares from shareholders who object to the resolutions on the Company's merger or division made by the general meeting;

(V) to use the shares for converting corporate bonds issued by the Company into shares;

(VI) as necessary to safeguard the Company's value and the rights and interests of shareholders.

The Company may repurchase its own shares through public centralized trading or other methods recognized by laws, administrative regulations, the CSRC and the securities regulatory authorities of the place where the Company's shares are listed.

The Company shall repurchase its own shares through public centralized trading under the circumstances specified in items (III), (V) and (VI) above.

The Company shall repurchase its own shares upon a resolution of the general meeting under the circumstances specified in items (I) and (II) above; and may repurchase its own shares upon a resolution of the Board meeting with the attendance of at least two-thirds of the directors under the circumstances specified in items (III), (V) and (VI) above.

After the Company repurchases its own shares in accordance with the above provisions, it shall cancel the repurchased shares within 10 days from the date of repurchase under the circumstances specified in item (I) above; it shall transfer or cancel the repurchased shares within six months under the circumstances specified in items (II) and (IV) above; and under the circumstances specified in items (III), (V) and (VI) above, the total number of shares of the Company 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.

Transfer of Shares

The Company's shares shall be transferred in accordance with the law. The transfer of H Shares may be effected in the following manner: (I) in the case of shares in certificated form, by an instrument of transfer in writing in the usual or common form or any other form acceptable to the Board (including the standard transfer form or registration form required by the Stock Exchange from time to time); where the transferor or transferee is a recognized clearing house or its nominee as defined in the relevant ordinances in force in Hong Kong from time to time, the instrument of transfer in writing may be signed manually or by machine imprint; all instruments of transfer shall be deposited at the Company's legal address or such other place as the Board may from time to time designate; (II) in the case of shares in uncertificated form, unless otherwise permitted or required under the USM Rules, the transferor and transferee of H Shares shall submit a specified request to effect the transfer in accordance with the uncertificated securities market regime and the operating rules of the Company's approved securities registrar.

The Company shall not accept its own shares as the subject matter of a pledge.

Shares issued prior to the public offering of A Shares by the Company shall not be transferred within one year from the date on which the Company's A Shares are listed and traded on the stock exchange.

Directors and senior management members of the Company shall report to the Company the shares of the Company they hold and any changes therein; during their term of office as determined at the time of assuming office, the number of shares they transfer each year shall not exceed 25% of the total number of shares of the same class of the Company they hold; and the shares of the Company they hold shall not be transferred within one year from the date on which the Company's shares are listed and traded. The above personnel shall not transfer the shares they hold in the Company within six

months after leaving their positions. Where laws, administrative regulations, the CSRC or the securities regulatory rules of the place(s) where the Company's shares are listed otherwise provide for the transfer of shares of the Company held by shareholders, such provisions shall prevail.

Where a shareholder holding 5% or more of the shares of the Company, a director or a senior management member sells the shares of the Company or other equity securities held by him within six months after purchase, or purchases again within six months after sale, the profits derived therefrom shall belong to the Company, and the Board of the Company shall recover such profits. However, this provision shall not apply where a securities company holds 5% or more of the shares due to its purchase of remaining shares after underwriting, or under other circumstances prescribed by the CSRC.

The shares or other equity securities held by directors, senior management members and natural person shareholders as referred to in the preceding paragraph include those held by their spouses, parents and children and those held through accounts of other persons.

Where the Board of the Company fails to act in accordance with the above provisions, shareholders shall have the right to require the Board to act within 30 days. If the Board fails to act within the above period, shareholders shall have the right to directly file a lawsuit with the people's court in their own name for the benefit of the Company. Where the Board of the Company fails to act in accordance with the above provisions, the responsible directors shall bear joint and several liability in accordance with the law.

SHAREHOLDERS AND THE GENERAL MEETING

Shareholders

The Company shall establish a register of shareholders based on the certificates provided by the securities registration and settlement institution, and the register of shareholders shall be sufficient evidence of shareholders' holding of the Company's shares.

The original copy of the register of holders of H Shares shall be kept in Hong Kong for inspection by shareholders; the Company may suspend the registration of holders of H Shares in accordance with the applicable laws, administrative regulations and the securities regulatory rules of the place(s) where the Company's shares are listed.

Shareholders shall enjoy rights and assume obligations according to the types of shares they hold; shareholders holding shares of the same type shall enjoy the same rights and bear the same obligations.

Shareholders of the Company shall enjoy the following rights:

(I) to receive dividends and other forms of distribution of benefits according to the proportion of shares they hold;

(II) to request, convene, preside over, attend or appoint a shareholder proxy to attend the general meeting in accordance with the law, and to exercise the corresponding voting rights;

(III) to supervise the Company's operations and make suggestions or inquiries;

(IV) to transfer, donate or pledge the shares they hold in accordance with the laws, administrative regulations and the Articles of Association;

(V) to inspect and copy the Articles of Association, the register of shareholders, the minutes of the general meetings, the resolutions of the Board meeting and the financial and accounting reports; shareholders who meet the requirements may inspect the Company's accounting books and accounting vouchers;

(VI) to participate in the distribution of the Company's remaining assets according to the proportion of shares they hold upon termination or liquidation of the Company;

(VII) for shareholders who object to the resolutions on the merger or division of the Company made by the general meeting, to request the Company to repurchase their shares;

(VIII) other rights stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place(s) where the Company's shares are listed or the Articles of Association.

Shareholders requesting to inspect and copy the relevant materials of the Company shall comply with the provisions of the Company Law, the Securities Law and other laws, administrative regulations and the securities regulatory rules of the place(s) where the Company's shares are listed. Persons entitled to inspect, copy or request the provision of entries in the register of holders of H Shares under the USM regime shall satisfy the relevant requirements under the applicable laws, regulations and the USM regime (including but not limited to the requirements on identity verification, application procedures and fees).

Where the contents of the resolutions of the general meeting or the Board of the Company violate laws or administrative regulations, shareholders shall have the right to request the people's court to declare such resolutions invalid.

Where the convening procedures or voting methods of the general meeting or the Board violate laws, administrative regulations or the Articles of Association, or the contents of the resolutions violate the Articles of Association, shareholders shall have the right to request the people's court to revoke such resolutions within 60 days from the date on which the resolutions are made. However, if the procedures for convening the general meeting or the Board meeting or the voting methods have only minor defects and do not have a substantial impact on the resolutions, this provision does not apply.

Shareholders of the Company shall assume the following obligations:

(I) to comply with laws, administrative regulations and the Articles of Association;

(II) to pay the share price according to the shares they subscribe for and the manner of subscription;

(III) not to withdraw their share capital, except under the circumstances stipulated by laws and regulations;

(IV) not to abuse shareholder rights to damage the interests of the Company or other shareholders; and not to abuse the Company's independent legal person status and shareholders' limited liability to damage the interests of the Company's creditors;

(V) other obligations that shall be assumed as stipulated by laws, administrative regulations and the Articles of Association.

Where a shareholder's abuse of rights as a shareholder has caused damage to the company or other shareholders, he/she shall be liable for compensation in accordance with the laws. Where a shareholder abuses the independent position of the company as a legal person, or the limited liability status of shareholders to evade its debts and such acts have caused serious damages to interests of the company's creditors, he/she shall bear joint and several liabilities in respect of the debts of the company.

CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Any controlling shareholder or actual controller of the company shall exercise his/ her rights and fulfil his/her obligations in accordance with the laws, administrative regulations, and the rules of the CSRC and stock exchange, and safeguard the interests of the company.

Any controlling shareholder or actual controller of the company shall comply with the following provisions:

(I) to exercise shareholder rights in accordance with the laws, without abusing control rights or exploiting connected relationship to harm the lawful rights and interests of the company or other shareholders;

(II) to strictly perform any public statements and undertakings made, without unauthorized alteration or waiver;

(III) to fulfil information disclosure obligations in strict accordance with the relevant regulations, actively cooperate with the company in its information disclosure, and promptly inform the company of any material events that have occurred or are expected to occur;

(IV) not to occupy corporate funds in any manner;

(V) not to compel, instruct, or require the company or its relevant personnel to provide guarantees in violation of the laws or regulations;

(VI) not to exploit any undisclosed material information of the company to seek benefits, disclose any undisclosed material information relating to the company in any manner, or engage in insider trading, short-swing trading, market manipulation or any other unlawful or non-compliant conduct;

(VII) not to harm the lawful rights and interests of the company and other shareholders through any unfair connected transaction, profit distributions, asset restructurings, external investments or any other means;

(VIII) to ensure the integrity of the company's assets, independence of its personnel, finance, organization and business, and not to interfere with the company's independence in any manner;

(IX) to comply with other provisions under the laws, administrative regulations, the rules of the CSRC, the business rules of the stock exchange, and the Articles of Association.

Where the controlling shareholder or actual controller of the company does not serve as a director but actually conducts the business of the company, the provisions of the Articles of Association concerning the duties of loyalty and duties of diligence of directors shall apply.

Where the controlling shareholder or actual controller of the company instructs a director or senior management member to engage in acts that are detrimental to the interests of the company or its shareholders, he/she shall bear joint and several liability with such director or senior management member.

GENERAL PROVISIONS FOR GENERAL MEETING

The general meeting of the company shall be composed of all shareholders. The general meeting shall be the organ of authority of the company and shall exercise the following powers according to the laws:

(I) to elect and replace non-employee directors and to determine the remuneration of such directors;

(II) to consider and approve the report of the Board;

(III) to consider and approve the profit distribution plan and the plan for making up losses of the company;

(IV) to approve the increase in or reduction of the registered capital of the company;

(V) to approve the issue of debentures of the company;

(VI) to pass resolutions on the issues including merger, division, dissolution, liquidation and change of corporate form of the company;

(VII) to amend the Articles of Association;

(VIII) to approve the appointment or dismissal of the accounting firm engaged in the company's audit;

(IX) to consider and approve the guarantee matters stipulated in Article 52 of the Articles of Association;

(X) to consider the purchases and disposals of significant assets within one year exceeding 30% of the latest audited total assets of the company;

(XI) to consider major transaction matters that meet the following standards:

1. the total amount of assets involved in the transaction accounts for 50% or more of the latest audited total assets of the company; where the total amount of assets involved in the transaction has both a book value and an appraised value, the higher of the two shall be used as the calculation basis;

2. the operating revenue of the subject matter of the transaction (such as equity) for the most recent fiscal year accounts for 50% or more of the company's audited operating revenue for the most recent fiscal year, and the absolute amount exceeds RMB50 million;

3. the net profit of the subject matter of the transaction (such as equity) for the most recent fiscal year accounts for 50% or more of the company's audited net profit for the most recent fiscal year, and the absolute amount exceeds RMB5 million;

4. the transaction consideration (including assumed debts and expenses) accounts for 50% or more of the latest audited net assets of the company, and the absolute amount exceeds RMB50 million;

5. the profit generated by the transaction accounts for 50% or more of the company's audited net profit for the most recent fiscal year, and the absolute amount exceeds RMB5 million;

6. where a financial assistance matter falls under any of the following circumstances, it shall be submitted to the general meeting for consideration after being approved by the Board:

   (1) the audited asset-liability ratio of the recipient of the assistance for the most recent period exceeds 70%;

   (2) the amount of a single financial assistance or the cumulative amount of financial assistance provided within twelve consecutive months exceeds 10% of the latest audited net assets of the company;

   (3) other circumstances stipulated by the stock exchange or the Articles of Association.

Where any data involved in the calculation of the above indicators is negative, its absolute value shall be used for calculation.

The "transactions" referred to above include the purchase or sale of assets, external investment (including entrusted wealth management, investment in subsidiaries, etc., excluding the establishment or capital increase of wholly-owned subsidiaries), provision of financial assistance (including entrusted loans), leasing in or leasing out assets, entering into management-related contracts (including entrusting operation and entrusted operation, etc.), gifts or receipt of gifts of assets, restructuring of claims or debts, transfer of research and development projects, entering into licensing agreements, waiver of

rights (including waiver of preemptive rights, preemptive rights to subscribe for capital contributions, etc.), and other transactions recognized by the Shenzhen Stock Exchange. Transactions that fall under the aforementioned provisions but constitute the company's main business activities are excluded.

The assets purchased or sold referred to in the transactions do not include assets related to daily operations such as the purchase of raw materials, fuel and power, and the sale of products and commodities; however, where such assets are involved in asset swaps, they shall still be included.

Where the aforementioned "transaction" matters are also stipulated in other provisions of the Articles of Association, the provisions of such other provisions shall also be implemented.

(XII) where a transaction between the company and a related party (excluding the provision of guarantees) involves an amount exceeding RMB30 million and accounts for 5% or more of the absolute value of the latest audited net assets of the company, it shall be submitted to the general meeting for consideration, and a valuation or audit report shall be disclosed. Related-party transactions related to daily operations may be exempt from audit or valuation;

(XIII) to consider and approve changes in the use of proceeds;

(XIV) to consider equity incentive plans and employee stock ownership plans;

(XV) transactions, connected transactions, and other matters that must be considered and approved by the general meeting in accordance with the securities regulatory rules of the place(s) where the company's shares are listed (including Chapter 14 and Chapter 14A of the Hong Kong Listing Rules);

(XVI) to consider other issues that shall be determined by the general meeting as stipulated by the laws, administrative regulations, departmental rules, and securities regulatory rules of the place(s) where the company's shares are listed or the Articles of Association.

The general meeting may authorize the Board to make a resolution on the issuance of corporate bonds.

Unless otherwise stipulated by the laws, administrative regulations, the requirements of the CSRC, or the rules of the stock exchange, the above duties and powers of the general meeting shall not be exercised by the Board or other institutions or individuals by way of authorization.

The following external guarantee activities of the company shall be considered and approved by the general meeting.

(I) a guarantee with a single guarantee amount exceeding 10% of the latest audited net assets of the company;

(II) any guarantee provided after the total amount of guarantees provided by the company and its controlled subsidiaries exceeds 50% of the latest audited net assets of the company;

(III) a guarantee provided to a guarantee recipient whose asset-liability ratio exceeds 70%;

(IV) the guarantee amount within twelve consecutive months exceeds 50% of the latest audited net assets of the company and the absolute amount exceeds RMB50 million;

(V) any guarantee provided after the total amount of guarantees provided by the company and its controlled subsidiaries exceeds 30% of the latest audited total assets of the company;

(VI) the guarantee amount within twelve consecutive months exceeds 30% of the latest audited total assets of the company;

(VII) a guarantee provided to a shareholder, actual controller, or their related parties;

(VIII) other guarantee circumstances that must be considered and approved by the general meeting as stipulated by laws, administrative regulations, rules, regulatory documents, the rules of the stock exchange, and the Articles of Association.

Where the company provides a guarantee for a wholly-owned subsidiary, or provides a guarantee for a controlled subsidiary and the other shareholders of the controlled subsidiary provide guarantees in the same proportion according to their respective equity interests, and the circumstance falls under items (I) to (IV) above, it may be exempted from submission to the general meeting for consideration.

The general meeting is divided into annual general meeting and extraordinary general meeting. Annual general meeting, held once a year, shall be held within six months after the end of the last fiscal year.

The Company shall convene an extraordinary general meeting within 2 months from the date of occurrence of any of the following circumstances:

(I) the number of directors is less than the number required by the Company Law or less than two-thirds of the number stipulated in the Articles of Association;

(II) the uncovered losses of the Company reach one-third of its total share capital;

(III) shareholders individually or jointly holding 10% or more of the shares of the Company request the convening of such meeting;

(IV) the Board considers it necessary to convene such meeting;

(V) the Audit Committee proposes to convene such meeting; or

(VI) any other circumstances provided for by laws, administrative regulations, departmental rules or the Articles of Association.

Convening of General Meetings

The Board shall convene general meetings on time within the prescribed period.

With the consent of more than half of all the independent directors, the independent directors shall have the right to propose to the Board the convening of an extraordinary general meeting. In respect of a proposal by the independent directors to convene an extraordinary general meeting, the Board shall,

in accordance with the provisions of laws, administrative regulations and the Articles of Association, give written feedback within 10 days upon receipt of the proposal on whether it agrees or disagrees to convene the extraordinary general meeting. If the Board agrees to convene the extraordinary general meeting, a notice convening the general meeting shall be issued within 5 days after the relevant resolution of the Board is made; if the Board does not agree to convene the extraordinary general meeting, it shall state the reasons and make an announcement.

Where the Audit Committee proposes that an extraordinary general meeting be held, it shall do so by submitting a written proposal to the Board. The Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, give written feedback within 10 days upon receipt of the proposal on whether it agrees or disagrees to convene the extraordinary general meeting.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days after the relevant board resolution is made, and any change to the original proposal in the notice shall be subject to the consent of the Audit Committee.

If the Board does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receipt of the proposal, it shall be deemed that the Board is unable or fails to perform its duty to convene general meetings, and the Audit Committee may convene and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the shares of the Company who request the Board to convene an extraordinary general meeting shall make the request to the Board in writing. The Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, give written feedback within 10 days after receipt of the request on whether it agrees or disagrees to convene the extraordinary general meeting.

If the Board agrees to convene the extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days after the relevant board resolution is made, and any change to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree to convene the extraordinary general meeting, or fails to give feedback within 10 days after receipt of the request, shareholders individually or jointly holding 10% or more of the shares of the Company shall make a request to the Audit Committee to propose the convening of an extraordinary general meeting, and such request shall be made to the Audit Committee in writing.

If the Audit Committee agrees to convene the extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days after receipt of the request, and any change to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Audit Committee fails to issue a notice of the general meeting within the prescribed period, it shall be deemed that the Audit Committee has not convened or presided over the general meeting, and shareholders individually or jointly holding 10% or more of the shares of the Company for 90 consecutive days or more may convene and preside over the general meeting on their own.

If the Audit Committee or shareholders decide to convene the general meeting on their own, they shall notify the Board in writing and simultaneously file with the securities exchange.

The Audit Committee or the convening shareholders shall, when issuing the notice of the general meeting and announcing the resolutions of the general meeting, submit the relevant supporting materials to the securities exchange.

Before the announcement of the resolutions of the general meeting, the shareholding percentage of the convening shareholders shall not be less than 10%.

Proposals and Notices of General Meetings

When the Company convenes a general meeting, the Board, the Audit Committee and shareholders individually or jointly holding 1% or more of the shares of the Company shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 1% or more of the shares of the Company may submit an interim proposal in writing to the convener 10 days before the general meeting is held. The convener shall issue a supplementary notice of the general meeting within 2 days after receipt of the proposal, announce the content of the interim proposal and submit the interim proposal to the general meeting for consideration. If, under the securities regulatory rules of the place(s) where the Company's shares are listed, the general meeting is required to be postponed due to the issue of a supplementary notice of the general meeting, the convening of the general meeting shall be postponed in accordance with such rules, except where the interim proposal violates laws, administrative regulations, the securities regulatory rules of the place(s) where the Company's shares are listed or the Articles of Association, or falls outside the scope of duties and powers of the general meeting.

Save for the circumstances specified in the preceding paragraph, after the notice of the general meeting is announced, the convener shall not amend the proposals set out in the notice of the general meeting or add new proposals.

The general meeting shall not vote on or pass resolutions in respect of any proposal that is not set out in the notice of the general meeting or does not comply with the provisions of the Articles of Association.

The convener shall notify all shareholders by way of announcement at least 21 days before the annual general meeting is held, and shall notify all shareholders by way of announcement at least 15 days before the extraordinary general meeting is held.

The notice of a general meeting shall include the following:

(I) the time, venue and duration of the meeting;

(II) the matters and proposals to be submitted to the meeting for consideration;

(III) a statement in conspicuous terms that all shareholders have the right to attend the general meeting and may appoint proxies in writing to attend the meeting and vote on their behalf, and that such proxies need not be shareholders of the Company;

(IV) the record date for shareholders entitled to attend the general meeting;

(V) the name and telephone number of the standing contact person for meeting affairs;

(VI) the time and procedures for voting by network or other means; and

(VII) other matters required to be set out.

Attendance at General Meetings

All shareholders registered on the record date or their proxies shall be entitled to attend the general meeting, speak at the meeting and exercise voting rights in accordance with the relevant laws, regulations, the securities regulatory rules of the place(s) where the Company's shares are listed and the Articles of Association, unless such shareholders are required by the securities regulatory rules of the place(s) where the Company's shares are listed to abstain from voting on specific matters.

Shareholders may attend a general meeting in person or appoint a proxy to attend, speak and vote on their behalf, and such proxy need not be a shareholder of the Company. A shareholder who is a natural person may appoint no more than two proxies in respect of any one general meeting, unless otherwise provided by the laws, regulations, securities regulatory rules or stock exchange rules applicable in the place where the Company's shares are listed. A shareholder that is a legal person may appoint a representative to attend the general meeting and vote at the meeting, and if such corporate shareholder has appointed a representative to attend, it shall be deemed to have attended the meeting in person. A proxy of a shareholder may, in accordance with the authorization of such shareholder, exercise such shareholder's right to speak at the general meeting, request a poll, either by himself/herself or together with others, and exercise voting rights.

An individual shareholder attending the meeting in person shall produce his/her identity card or other valid identity document or certificate sufficient to identify his/her identity; a person attending the meeting as a proxy shall produce his/her valid identity document and the shareholder's written instrument appointing such proxy.

A corporate shareholder shall be represented at the general meeting by its legal representative or a proxy appointed by its legal representative. If the legal representative attends the meeting, he/she shall produce his/her identity card and a valid certificate proving his/her capacity as legal representative; if a proxy attends the meeting, the proxy shall produce his/her identity card and a written instrument appointing such proxy duly issued by the legal representative of the corporate shareholder.

Where a shareholder is a recognised clearing house, or its agent, as defined in the relevant ordinances of the Laws of Hong Kong in force from time to time or the securities regulatory rules of the place(s) where the Company's shares are listed, such shareholder may authorise one or more persons as it considers appropriate to act as its proxy or representative at a general meeting; provided that, where more than one person is so authorised, the instrument of proxy or authorisation shall state the number and class of shares in respect of which each such person is so authorised. The person(s) so authorised shall be entitled to exercise, on behalf of such recognised clearing house (or its agent), the same rights as other shareholders, including the right to speak and vote, without the need to produce any share certificate, notarised power of attorney and/or further evidence of due authorisation.

Voting and Resolutions of General Meetings

Resolutions of a general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution of a general meeting shall be passed by more than half of the voting rights held by the shareholders present at the general meeting.

A special resolution of a general meeting shall be passed by not less than two-thirds of the voting rights held by the shareholders present at the general meeting.

The following matters shall be passed by the general meeting by ordinary resolution:

(I) the report of the Board;

(II) the profit distribution plan and the loss recovery plan formulated by the Board;

(III) the appointment and removal of non-employee representative directors and the remuneration and payment methods for all directors;

(IV) any other matters other than those required by laws, administrative regulations or the Articles of Association to be passed by special resolution.

The following matters shall be resolved by way of special resolution of the general meeting:

(I) increase or reduction of registered capital of the Company;

(II) the division, spin-off, merger, dissolution and liquidation of the Company;

(III) to amend the Articles of Association;

(IV) the purchase or disposal of major assets or guarantees provided to others within one year with an amount exceeding 30% of the latest audited total assets of the Company;

(V) the equity incentive plans;

(VI) other matters as required by laws, administrative regulations, the securities regulatory rules of the place(s) where the Company's shares are listed or the Articles of Association, as well as other matters approved by an ordinary resolution at a general meeting that are deemed to have a material impact on the Company and should be approved by a special resolution.

Shareholders shall exercise their voting rights based on the number of voting shares they represent. Each share shall carry one vote. Where permitted by the securities regulatory rules of the place(s) where the Company's shares are listed, a shareholder (including proxies thereof) holding two or more votes need not cast all such votes in the same manner.

When considering the material matters affecting the interests of minority investors at the general meeting, the votes by minority investors shall be counted separately, and the results of such separate vote counting shall be publicly disclosed in a timely manner.

The shares of the Company held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by shareholders attending a general meeting.

Shareholders who purchase the voting shares of the Company in violation of the provisions of Clause 1 and Clause 2 of Article 63 of the Securities Law shall not exercise the voting right of the shares that exceed the prescribed ratio within 36 months after the purchase, and such shares shall not be counted in the total number of voting shares represented by shareholders attending a general meeting.

The Board, independent directors, shareholders holding 1% or more of voting shares or investor protection agencies established in accordance with laws, administrative regulations, or requirements of the CSRC may publicly solicit voting rights from shareholders. Information including the specific voting intention shall be fully disclosed to the shareholders from whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not impose any minimum shareholding limit for soliciting voting rights, except for statutory conditions.

DIRECTORS AND THE BOARD

Directors

A director of the Company shall be a natural person and may include executive directors, non-executive directors and independent directors, and shall possess the qualifications required by laws, administrative regulations, departmental rules and the securities regulatory rules of the place(s) where the Company's shares are listed. A person shall not serve as a director of the Company under any of the following circumstances:

(I) without capacity or with limited capacity for civil conduct;

(II) has been sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the order of socialist market economy, or has been deprived of political rights due to any criminal offences, where less than five years have elapsed since the expiration of the execution period, or, in the case of a person who has been granted probation, less than two years have elapsed since the expiration of the probation period;

(III) has served as a director, factory manager or manager of a company or an enterprise that is bankrupt and liquidated, and is personally liable for the bankruptcy of the company or enterprise, and less than three years have elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise;

(IV) has served as the legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to violation of law, and was personally liable therefor, where less than three years have elapsed since the date of revocation of the business license or the order for closure of such company or enterprise;

(V) has been listed by the People's Court as a dishonest judgment debtor for having substantial debts due and outstanding;

(VI) being subject to securities market entry bans imposed by the CSRC, with an unexpired term;

(VII) being publicly recognised by the stock exchange as unsuitable to serve as a director or member of senior management of a listed company, etc., with an unexpired term;

(VIII) other circumstances as prescribed by laws, administrative regulations or departmental rules or the securities regulatory rules of the place(s) where the Company's shares are listed.

Directors shall comply with the laws, administrative regulations and the Articles of Association and shall perform their duties of loyalty to the Company. Directors shall take measures to avoid conflicts between their own interests and the interests of the Company, and shall not use their duties and powers to seek improper interests.

Directors shall perform their duties of loyalty to the Company as follows:

(I) not to appropriate the properties of the Company or misappropriate the funds of the Company;

(II) not to set up accounts in his/her own name or in the name of any other individual to deposit any funds of the Company;

(III) not to abuse his/her position to accept bribes or other illegal income;

(IV) without reporting to the Board or at the general meeting and obtaining approval by a resolution of the Board or the general meeting in accordance with the Articles of Association, not to directly or indirectly enter into any contract or transaction with the Company;

(V) not to take advantage of his/her position to appropriate the business opportunities for himself/herself or other persons which belong to the Company, unless the matter has been reported to the Board or at the general meeting and approved by the resolution of the general meeting, or the Company is not allowed to make use of such business opportunity in accordance with laws, administrative regulations or the Articles of Association;

(VI) not to engage in, or operate for other persons, any business similar to any of those of the Company without reporting to the Board or at the general meeting or without obtaining approval by resolution of the general meeting;

(VII) not to accept for his/her own benefit any commission obtained from transactions between other persons and the Company;

(VIII) not to disclose confidential information of the Company without permission;

(IX) not to use his/her connected relationships to prejudice the interests of the Company;

(X) other duties of loyalty as required by the laws, administrative regulations, departmental rules or the Articles of Association.

Any income obtained by directors in violation of the above provisions shall belong to the Company. A director shall be liable to compensate the Company for any loss caused thereby.

The provisions of item (IV) above shall apply where any close relative of directors or senior management members, any enterprise directly or indirectly controlled by directors or senior management members or their close relatives, or any other related party having an associated relationship with directors or senior management members enters into a contract or transaction with the Company.

The directors shall comply with provisions of the laws, administrative regulations and the Articles of Association and shall perform their duties of diligence to the Company, and perform duties with reasonable care ordinarily exercised by managers in the best interests of the Company.

The directors shall perform their duties of diligence to the Company as follows:

(I) to exercise the rights conferred by the Company in a cautious, thoughtful and diligent manner so as to ensure the commercial behaviors of the Company comply with the laws, administrative regulations and economic policies of the PRC, and the commercial activities shall not go beyond the scope of business stipulated in the business license;

(II) to treat all shareholders fairly;

(III) to keep informed of the operation and management position of the Company on a timely basis;

(IV) to sign the regular reports of the Company to provide written confirmation to ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;

(V) to truthfully provide information and data to the Audit Committee, and not to interfere with the Audit Committee in its exercise of duties and powers;

(VI) other duties of diligence as required by the laws, administrative regulations, departmental rules or the Articles of Association.

The Company shall establish a director departure management system, clearly specifying safeguard measures for pursuing accountability and seeking recourse for unfulfilled public commitments and other outstanding matters. When a director's resignation takes effect or his or her term expires, the director shall complete all handover procedures with the Board. The director's duty of loyalty to the Company and shareholders shall not be automatically released upon expiry of the term, and shall remain valid for two years after the director's resignation takes effect or the term expires. Liabilities that directors should bear during their tenure for the execution of duties shall not be exempted or terminated due to their departure from office.

Board

The Company shall have a Board comprising 9 directors, including 3 independent directors and 1 employee representative director, and one chairman. The number of independent directors shall not be less than one-third of the total number of members of the Board, and shall include at least one accounting professional meeting the requirements of the securities regulatory rules of the place(s) where the Company's shares are listed. The chairman shall be elected by the Board by a majority of all directors. Non-employee representative directors on the Board shall be elected by the general meeting, and the employee representative director shall be democratically elected by the employees of the Company through the employees' representative congress, employees' meeting or other forms, and shall not be required to be submitted to the general meeting for consideration.

The Board shall exercise the following duties and powers:

(I) to convene general meetings and report to general meetings;

(II) to execute resolutions of general meetings;

(III) to resolve on the Company's business plans and investment plans;

(IV) to prepare the profit distribution plan and plan for making up losses of the Company;

(V) to prepare plans for the increase or decrease of the registered capital of the Company and for the issuance of bonds or other securities and listing scheme;

(VI) to formulate plans for material acquisitions, purchase of Shares of the Company, merger, demerger, dissolution, and transformation of the Company;

(VII) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantees, entrusted wealth management, related party transactions, external donations, etc. of the Company within the authority granted by the general meeting;

(VIII) to resolve on the establishment of internal management organizations of the Company;

(IX) to decide on the appointment or dismissal of the general manager, secretary of the Board and other senior management members of the Company and determine their remunerations and matters related to incentives and punishment; to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management members as nominated by the general manager, and to determine their remunerations and matters related to incentives and punishment;

(X) to formulate the Company's basic management system;

(XI) to formulate the proposed amendments to the Articles of Association;

(XII) to deal with information disclosures of the Company;

(XIII) to propose to the general meeting for appointment or replacement of the accounting firms serving as the auditors of the Company;

(XIV) to receive work report submitted by the general manager of the Company and to review the general manager's performance;

(XV) to exercise other duties and powers granted by laws, administrative regulations, departmental rules, the Articles of Association or the general meeting.

Matters which are beyond authorisation of the general meeting shall be submitted to the general meeting for consideration.

The Board of the Company shall explain the non-standard auditing opinions on the financial reports of the Company issued by a certified public accountant to the general meeting.

INDEPENDENT DIRECTORS

Independent directors shall conduct annual self-examination of their independence and submit the results to the Board. The Board shall assess the independence of the incumbent independent directors and issue a special opinion on an annual basis, which shall be disclosed at the same time as the annual report.

The independent directors shall perform the following special duties and powers:

(I) to independently engage an intermediary organisation to conduct audits, consultations or verifications on specific matters of the Company;

(II) to make proposals to the Board to convene extraordinary general meetings;

(III) to propose to convene the Board meetings;

(IV) to solicit shareholders' rights from shareholders in a public way in accordance with the law;

(V) to express independent opinions on matters that may prejudice the interests of the Company or minority shareholders;

(VI) to exercise other duties and powers as stipulated by laws, administrative regulations, provisions of the CSRC and the Articles of Association.

For performing the duties and powers listed in items (I) to (III) of the preceding paragraph, independent directors shall obtain the consent of more than half of all independent directors.

The Company shall make disclosures in a timely manner when independent directors exercise the duties and powers listed in the first paragraph. If the above duties and powers cannot be exercised properly, the Company shall disclose the specific circumstances and reasons thereof.

The following matters shall be submitted to the Board for consideration after being approved by more than half of all independent directors of the Company:

(I) connected transactions that shall be disclosed;

(II) the proposal for changing or waiving undertakings by the Company and the relevant parties;

(III) decisions made and measures taken by the board of the acquired listed company in response to the acquisition;

(IV) other matters as stipulated by laws, administrative regulations, provisions of the CSRC and the Articles of Association.

The Company shall establish a special meeting mechanism to be attended by all independent directors. When the Board considers matters such as connected transactions, prior approval by the special meeting of independent directors shall be required.

The Company shall regularly or irregularly convene the special meeting of independent directors. The matters listed in items (I) to (III) of paragraph 1 of Article 135 and Article 136 of the Articles of Association shall be considered at the special meeting of independent directors.

The special meeting of independent directors may study and discuss other matters of the Company as needed.

The special meeting of independent directors shall be convened and chaired by one independent director jointly nominated by more than half of the independent directors. If the convener fails or is unable to perform his/her duty, two or more independent directors may convene the meeting themselves and nominate a representative to chair it.

Meeting minutes shall be prepared for the special meeting of independent directors as required. The opinions of the independent directors shall be recorded in the minutes. Independent directors shall sign the meeting minutes for confirmation.

SPECIAL COMMITTEES OF THE BOARD

The Board of the Company shall establish the Audit Committee exercising the duties and powers of the Supervisory Committee as stipulated in the Company Law.

The Audit Committee shall consist of three members elected by the Board. Members of the Audit Committee shall be directors who do not serve as senior management members of the Company and must all be non-executive directors, of whom a majority shall be independent directors, and at least one independent director shall possess the appropriate professional qualifications or appropriate accounting or related financial management expertise as required by Rule 3.10(2) of the Hong Kong Listing Rules. The convener shall be an accounting professional among the independent directors.

The Audit Committee is responsible for examining and verifying the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls. The following matters shall, upon the consent of more than half of all members of the Audit Committee, be submitted to the Board for deliberation:

(I) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;

(II) appointment or dismissal of accounting firms undertaking audit services for the listed company;

(III) appointment or dismissal of the chief financial officer of the listed company;

(IV) changes in accounting policies, accounting estimates, or corrections of significant accounting errors, except for changes due to accounting standard adjustments;

(V) other matters stipulated by laws, administrative regulations, provisions of the CSRC and the Articles of Association.

The Audit Committee shall meet at least once every quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the convener deems it necessary. A meeting of the Audit Committee requires the attendance of two-thirds or more of its members to be held.

Resolutions of the Audit Committee shall be passed by more than half of its members. Each member of the Audit Committee shall have one vote for resolution voting. Meeting minutes shall be prepared for the Audit Committee resolutions as required. The members of the Audit Committee attending the meeting shall sign the minutes. The working procedures of the Audit Committee shall be formulated by the Board.

The Board of the Company shall establish other special committees, including the Strategy and Sustainable Development Committee, the Nomination Committee and the Remuneration and Appraisal Committee. Members of the special committees shall be elected by the Board and shall perform their duties in accordance with the Articles of Association and the authorization of the Board. Proposals of the special committees shall be submitted to the Board for deliberation and decision. The working rules of the special committees shall be formulated by the Board. In the Nomination Committee and the Remuneration and Appraisal Committee, independent directors shall constitute a majority, and an independent director shall serve as the convener. However, if the relevant competent department of the State Council otherwise provides for the convener of a special committee, such provisions shall prevail.

SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager and several deputy general managers, all of whom shall be appointed or dismissed by the Board.

Persons holding administrative positions other than directors or supervisors at the controlling shareholder of the Company shall not serve as senior management members of the Company. The senior management members of the Company only draw salary from the Company instead of being paid by the controlling shareholder on behalf.

The term of office of the general manager is three years and the general manager can serve consecutive terms upon reappointment.

The general manager shall be accountable to the Board and shall exercise the following duties and powers:

(I) to be in charge of the production, operation and management of the Company, organize the implementation of the resolutions of the Board and report work to the Board;

(II) to organize the implementation of the Company's annual business plans and investment plans;

(III) to draft the plan for establishment of the Company's internal management organization;

(IV) to draft the Company's basic management system;

(V) to formulate the specific rules and regulations of the Company;

(VI) to propose the Board to conduct the appointment or dismissal of the deputy general managers and the chief financial officer of the Company;

(VII) to decide on the appointment or dismissal of responsible management personnel other than those to be appointed or dismissed by the Board;

(VIII) to exercise other duties and powers granted by the Articles of Association or the Board.

The general manager shall attend the Board meetings as a non-voting participant.

The deputy general managers and other senior management members shall be assistants to the general manager, and shall be responsible for the work assigned to them in accordance with the instructions of the general manager. They shall be accountable to the general manager, and shall sign relevant business documents within the scope of their duties. When the general manager is unable to perform his/her duties and powers, deputy general managers and other senior management members may, upon entrustment by the general manager, exercise the duties and powers of the general manager on his/her behalf.

The Company shall establish the position of Board secretary, who shall be responsible for preparing the Company's general meetings and Board meetings, safeguarding documents, managing the Company's shareholder information, handling information disclosure matters, and other related duties. The Board secretary shall comply with the relevant provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place(s) where the Company's shares are listed, and the Articles of Association.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System

The Company shall, within four months from the end of each accounting year, submit and disclose its annual report to the dispatched office of the CSRC and the stock exchange, and shall, within two months from the end of the first half of each accounting year, submit and disclose its interim report to the dispatched office of the CSRC and the stock exchange.

The aforesaid annual reports and interim reports shall be prepared in accordance with the relevant provisions of laws, administrative regulations, the CSRC and the stock exchange. If the securities regulatory rules of the place(s) where the Company's shares are listed otherwise provide for the preparation, submission, disclosure deadlines and content of periodic reports and announcements, the Company shall simultaneously comply with such provisions to ensure equal disclosure of relevant information to A-share shareholders and H-share shareholders.

The Company shall not establish any accounting books other than the statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

The Company shall allocate 10% of its profits to the statutory reserve of the Company when distributing its after-tax profits for the year, provided that no further appropriation is required if the accumulated statutory reserve is 50% or more of the registered capital of the Company.

If the statutory reserve of the Company is insufficient to make up for the losses brought forward from previous years, profits for the current year shall be applied to make up for such losses before making allocations to the statutory reserve in accordance with the aforementioned requirement.

Upon allocation of the after-tax profits to the statutory reserve, the Company may allocate a part of the after-tax profits to the discretionary reserve as approved by a resolution passed at the general meeting.

The remaining after-tax profit after the Company makes up for losses and appropriates profits to reserves shall be distributed according to the proportion of shares held by shareholders, unless otherwise provided in the Articles of Association.

If the 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 members shall be liable for compensation.

No profit shall be distributed in respect of the shares held by the Company.

The Company shall appoint a collecting agent or collecting agents in Hong Kong for the shareholders of H Shares, who shall collect and retain dividends and other payables distributed by the Company in respect of H Shares on behalf of the relevant shareholders of H Shares, and then pay the same to these shareholders. The collecting agents appointed by the Company shall meet the requirements of the laws, administrative regulations and the securities regulatory rules of the place(s) where the Company's shares are listed.

After the profit distribution plan has been adopted at the general meeting of the Company, or a specific plan has been formulated by the Board of the Company based on the conditions and caps of the interim dividends for the next year which have been considered and approved by the annual general meeting, the Company shall complete the distribution of dividends (or shares) within two months.

The Company's reserve fund is used to make up for the Company's losses, expand the Company's production and operations, or increase the Company's registered capital.

When the reserve fund is used to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund should be utilized first; if the losses cannot be fully covered, the capital reserve fund may be used in accordance with regulations.

When the statutory reserve fund is converted to increase the registered capital, the remaining reserve fund will not be less than 25% of the Company's registered capital prior to the conversion.

Internal Audit

The Company maintains an internal audit system, which specifies the leadership system, responsibilities and authorities, staffing, funding security, use of audit results and accountability in relation to internal audit work. The internal audit system of the Company shall be implemented and disclosed to the public upon approval by the Board.

The internal audit institution of the Company supervises and inspects the Company's business activities, risk management, internal control, financial information and other matters.

Appointment of Accounting Firm

The Company engages an accounting firm that complies with the provisions of the Securities Law to conduct accounting statement audits, net asset verification and other related consulting services. The appointment period is 1 year and can be renewed. The accounting firm engaged by the Company shall also meet the requirements for auditors under the Hong Kong Listing Rules.

The Company's appointment and dismissal of an accounting firm shall be decided at the general meeting, and the Board may not appoint an accounting firm before a decision is made at the general meeting.

The Company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information to the accounting firm engaged, and shall not refuse, conceal or make false statements.

The audit fee of the accounting firm shall be determined by the general meeting.

Where the Company decides to dismiss an accounting firm or not to renew its engagement, the accounting firm shall be given a 15-day prior notice. The accounting firm is allowed to make representations when its dismissal is voted on at a general meeting of the Company. Where an accounting firm resigns, it shall make clear at a general meeting whether there has been any impropriety on the part of the Company.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Company mergers may take the form of mergers by absorption or mergers by new establishment.

When a company absorbs other companies, it is called a merger by absorption, and the absorbed company is dissolved. The merger of two or more companies to establish a new company is a merger by new establishment, and the merging parties are dissolved.

If the Company merges, the merging parties shall sign a merger agreement and prepare a balance sheet and property list. The Company shall notify creditors within ten days from the date of making the merger resolution, and shall make an announcement within 30 days in China Securities Journal (or the National Enterprise Credit Information Publicity System). Creditors may require the Company to pay off debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received.

If the Company merges, the claims and debts of the merging parties shall be inherited by the continuing company or the newly established company after the merger.

If the Company is divided, its property will be divided accordingly.

If the Company is divided, a balance sheet and property list shall be prepared. The Company shall notify its creditors within ten days from the date of making the division resolution, and shall make an announcement within 30 days in China Securities Journal (or the National Enterprise Credit Information Publicity System).

When the Company reduces its registered capital, it shall prepare a balance sheet and a property inventory. The Company shall notify creditors within ten days from the date of making the resolution to reduce the registered capital at the general meeting, and shall make an announcement within 30 days in China Securities Journal (or the National Enterprise Credit Information Publicity System). Creditors have the right to require the Company to pay off debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if no notice is received.

If the Company reduces its registered capital, it shall reduce its capital contribution or shares in proportion to the shares held by its shareholders, unless otherwise provided by law or the Articles of Association.

When the merger or split of the Company involves changes in registered particulars, such changes shall be registered with the company registration authority in accordance with the law. When the Company dissolves, the Company shall cancel its registration in accordance with the law. When a new company is established, its establishment shall be registered in accordance with the law.

Where the Company increases or reduces its registered capital, an application for modification of registration shall be made to the company registration authority pursuant to the laws.

Dissolution and Liquidation

The Company will be dissolved for the following reasons:

(I) the business period stipulated in the Articles of Association expires or other reasons for dissolution stipulated in the Articles of Association occur;

(II) the general meeting makes a resolution to dissolve;

(III) dissolution is required due to company merger or division;

(IV) the Company has had its business license revoked, been ordered to close, or had its registration revoked in accordance with the law;

(V) if the Company encounters serious difficulties in its operation and management, and its continued existence will cause heavy losses to the interests of shareholders, and cannot be solved through other means, shareholders holding 10% or more of the voting rights of all shareholders of the Company may request the people's court to dissolve the Company.

If the Company encounters the above-mentioned reasons for dissolution, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

The Company may continue in existence by amending the Articles of Association or upon a resolution of the general meeting under any of the circumstances prescribed in items (I) or (II) of Article 194 of the Articles of Association and provided that it has not distributed the property to its shareholders.

Any amendment to the Articles of Association or resolution of the general meeting under the preceding paragraph shall be approved by two-thirds or more of the voting rights held by shareholders present at the general meeting.

Where the Company is dissolved under items (I), (II), (IV) or (V) of Article 194 of the Articles of Association, it shall be liquidated. The directors, who are the liquidation obligors of the Company, shall form a liquidation committee to commence the liquidation process within 15 days from the date when the event of dissolution occurs.

The liquidation committee shall be composed of the directors, unless it is otherwise provided for in the Articles of Association or otherwise elected by the general 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 committee shall notify creditors within ten days from the date of establishment, and shall publish an announcement within 60 days in China Securities Journal (or the National Enterprise Credit Information Publicity System). Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice, or within 45 days from the date of announcement if the notice is not received.

After clearing the Company's property and preparing a balance sheet and property list, if the liquidation committee finds that the Company's property is insufficient to pay off its debts, it shall apply to the people's court for bankruptcy liquidation in accordance with the law. After the people's court accepts the bankruptcy application, the liquidation committee shall transfer the liquidation matters to the bankruptcy administrator designated by the people's court.

Where the Company is declared bankrupt in accordance with the law, bankruptcy liquidation shall be conducted in accordance with the relevant laws on enterprise bankruptcy.

AMENDMENTS TO THE ARTICLES

Under any of the following circumstances, the Company shall amend the Articles of Association:

(I) where any provision of the Articles of Association conflicts with the Company Law or any relevant law, administrative regulation or securities regulatory rule applicable in the place where the Company's shares are listed, as a result of an amendment to that law, regulation or rule;

(II) the Company's situation changes and is inconsistent with the matters recorded in the Articles;

(III) the general meeting makes a resolution to amend the Articles of Association.

If the amendments to the Articles of Association passed by the resolution of the general meeting should be reviewed and approved by the competent authority, they must be reported to the competent authority for approval; if such amendments involve Company registration matters, the registration of the amendments shall be handled in accordance with the law.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the PRC on April 14, 2005, and was converted into a joint stock company with limited liability on June 26, 2014. Our A Shares were listed on the ChiNext Market of the Shenzhen Stock Exchange (SZSE: 300666) on June 15, 2017.

Our corporate structure and Articles of Association are governed by PRC laws and regulations, summaries of which are set out in "Regulatory Overview" and "Appendix III — Summary of Articles of Association" respectively. Details of our registered office, headquarters, and principal place of business in the PRC and Hong Kong are set out in "Corporate Information."

We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•], 2026. Ms. AU YEUNG Lai Yee (歐陽麗儀) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in the Share Capital of Our Company

Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this document:

In May 2025, we cancelled 17,900 restricted shares that had been repurchased pursuant to the Second Incentive Plan (as defined below). Accordingly, the share capital of our Company decreased from RMB265,338,583 to RMB265,320,683.

In June 2026, we issued an aggregate of 10,650,400 A Shares to designated investors through a private placement. Accordingly, the share capital of our Company increased from RMB265,320,683 to RMB275,971,083.

3. Changes in the Share Capital of Our Major Subsidiaries

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in relation to the disclosure of information relating to the changes in the share capital of any member of our Group within two years immediately preceding the date of this document. For details, see "Waivers and Exemptions — Waiver and Exemption in Respect of Particulars of Information of Our Subsidiaries."

Save as disclosed below, there has been no alteration in the share capital of our Major Subsidiaries within the two years immediately preceding the date of this document:

On June 23, 2025, the share capital of Kaide Quartz decreased from RMB75,000,000 to RMB74,970,000, and further decreased to RMB74,456,858 on July 22, 2026.

On November 1, 2025, the registered capital of KFAM increased from KRW100,000,000 to KRW781,815,000, and increased to KRW1,214,815,000 on April 18, 2026, and further increased to KRW3,201,480,000 on July 16, 2026.

On June 25, 2026, the registered capital of Beijing Konfoong increased from RMB100 million to RMB331.6 million.

On July 1, 2026, the registered capital of Ningbo Jingpan Electronic increased from RMB50 million to RMB816.3 million.

On August 31, 2026, the registered capital of Shanghai Konfoong increased from RMB150 million to RMB250 million.

On July 15, 2026, the share capital of Hong Kong Konfoong increased from USD10,000 to USD43.6 million.

4. Resolutions of Shareholders

At the general meeting of our Company held on October 30, 2026, the following resolutions were passed by the Shareholders:

(i) the **[REDACTED]** of H Shares with a nominal value of RMB1.00 each by our Company and such H Shares be **[REDACTED]** on the Stock Exchange;

(ii) the number of H Shares to be issued pursuant to the **[REDACTED]** before the exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the enlarged share capital of our Company upon completion of the **[REDACTED]**, and pursuant to the **[REDACTED]** shall not exceed **[REDACTED]**% of the above number of H Shares to be issued;

(iii) subject to the completion of the **[REDACTED]**, the granting of a general mandate to the Board to allot and issue H Shares (including any sale or transfer of treasury shares of the Company originally issued as H Shares) at any time within a period up to 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, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to handle the approval or filing of the CSRC, the Stock Exchange and/or other relevant regulatory authorities with respect to the aforementioned general mandate in accordance with the relevant laws and regulations, provided that, the number of H Shares to be issued shall not exceed 20% of the number of Shares in issue (excluding treasury shares, if any) as of the **[REDACTED]**;

(iv) subject to the completion of the **[REDACTED]**, the Articles of Association to become effective on the **[REDACTED]** shall be conditionally adopted, and the Board and its authorized person have been authorized to amend the Articles of Association in accordance with any comments from the relevant regulatory authorities; and

(v) to authorize the Board and its authorized person to handle the matters relating to, among others, the **[REDACTED]**, the **[REDACTED]** and **[REDACTED]** of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

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:

(i) **[REDACTED]**; and

(ii) [•].

2. Intellectual Property Rights

(a) Trademarks

Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Owner	Class	Place of registration	Expiry date	Registration number
1.		Our Company	9	PRC	August 27, 2028	4876884
2.		Shanghai Ruisheng	9	PRC	December 27, 2034	79486996
3.		Shanghai Ruisheng	9	PRC	December 20, 2032	63326728

(b) Patents

Registered Patents

As of the Latest Practicable Date, we owned the following registered patents which we consider to be or may be material to our business:

No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
1.	Cleaning method for aluminum or aluminum alloy sputtering target (鋁或鋁合金濺射靶材的清洗方法)	Invention	PRC	ZL200910224768.6	Our Company	November 17, 2029
2.	Machining apparatus for tantalum ring fixing assembly (鉭環固定組件的加工裝置)	Invention	PRC	ZL201010530378.4	Our Company	October 29, 2030
3.	Preparation method for high-purity tantalum target (高純鉭靶材的製備方法)	Invention	PRC	ZL201110460441.6	Our Company	December 31, 2031
4.	Manufacturing method for tungsten target (鎢靶材的製作方法)	Invention	PRC	ZL201210259861.2	Our Company	July 25, 2032
5.	Manufacturing method for titanium focus ring (鈦聚焦環的製造方法)	Invention	PRC	ZL201210367228.5	Our Company	September 28, 2032
6.	Manufacturing method for tungsten-titanium target and manufacturing method for tungsten-titanium target assembly (鎢鈦靶材的製造方法和鎢鈦靶材組合的製造方法)	Invention	PRC	ZL201210374822.7	Our Company	September 27, 2032
7.	A manufacturing method for cobalt target assembly (鈷靶材組件的製作方法)	Invention	PRC	ZL201210182775.6	Our Company	June 1, 2032
8.	Method for detecting welding defects and bonding rate of target assembly (靶材組件的焊接缺陷率和結合率的檢測方法)	Invention	PRC	ZL201210430415.3	Our Company	November 1, 2032
9.	A manufacturing method for tantalum target (一種鉭靶材的製造方法)	Invention	PRC	ZL201310379942.0	Our Company	August 27, 2033
10.	Heat treatment method for target (靶材熱處理方法)	Invention	PRC	ZL201510409485.4	Our Company	July 13, 2035

No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
11.	Diffusion welding structure and diffusion welding method for tungsten target (鎢靶材擴散焊接結構及鎢靶材擴散焊接方法) . . .	Invention	PRC	ZL201810048151.2	Our Company	January 18, 2038
12.	A diffusion welding method for backing plate and high-purity metal target (一種背板與高純金屬靶材的擴散焊接方法).	Invention	PRC	ZL201910740807.1	Our Company	August 12, 2039
13.	A preparation method for high-purity aluminum target (一種高純鋁靶材的製備方法).	Invention	PRC	ZL202111138497.X	Our Company	September 27, 2041
14.	A treatment method for sputtering surface of titanium target (一種鈦靶材濺射面的處理方法).	Invention	PRC	ZL202110241077.8	Our Company	March 4, 2041
15.	A high-purity aluminum or aluminum alloy target and preparation method and use thereof (一種高純鋁或鋁合金靶材及其製備方法和用途).	Invention	PRC	ZL202110287181.0	Our Company	March 17, 2041
16.	A welding method for reducing deformation of tungsten target assembly (一種降低鎢靶材組件變形的焊接方法)	Invention	PRC	ZL202111198380.0	Our Company	October 14, 2041
17.	A copper-aluminum alloy target and preparation method and application thereof (一種銅鋁合金靶材及其製備方法與應用)	Invention	PRC	ZL202211010052.8	Our Company	August 22, 2042
18.	A preparation method for tantalum target blank (一種鉭靶坯的製備方法)	Invention	PRC	ZL202111161526.4	Our Company	September 30, 2041
19.	A diffusion welding method for ultra-high purity copper target (一種超高純銅靶材的擴散焊接方法).	Invention	PRC	ZL202211166559.2	Our Company	September 21, 2042
20.	A titanium-aluminum alloy target and preparation method thereof (一種鈦鋁合金靶材及其製備方法)	Invention	PRC	ZL202311430895.8	Our Company	October 31, 2043

No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
21.	A treatment method for extending the service life of high-purity target (一種延長高純靶材壽命的處理方法)	Invention	PRC	ZL202310795294.0	Our Company	June 30, 2043
22.	A preparation method for titanium-aluminum alloy target (一種鈦鋁合金靶材的製備方法)	Invention	PRC	ZL202310276579.3	Our Company	March 21, 2043
23.	Manufacturing method for water-cooled well and water-cooled well (水冷井製造方法以及水冷井)	Invention	PRC	ZL202310081519.6	Shanghai Ruisheng	February 8, 2043
24.	A titanium gas distribution plate and processing technique thereof (一種鈦材質氣體分配盤及其加工工藝)	Invention	PRC	ZL202211430194.X	Konfoong X-Creative	November 15, 2042
25.	Drilling method, drilling apparatus and gas distribution plate (鑽孔加工方法、裝置及氣體分配盤)	Invention	PRC	ZL202310625429.9	Konfoong X-Creative	May 30, 2043
26.	A machining method for o-ring sealing groove of gas distribution plate of semiconductor equipment component (一種半導體機台部件氣體分配盤O型密封槽的加工方法)	Invention	PRC	ZL202310435301.6	Konfoong X-Creative	April 21, 2043
27.	A method for manufacturing a gas distributor and a fixture for the gas distributor (氣體分配器的加工方法以及氣體分配器的工裝)	Invention	PRC	ZL202410244085.1	Konfoong X-Creative	March 4, 2044
28.	A ceramic heating plate, preparation method thereof and application thereof (一種陶瓷加熱盤及其製備方法與應用)	Invention	PRC	ZL202410723093.4	Our Company	June 5, 2044
29.	A welding method for an aluminum nitride ceramic heating plate (一種氮化鋁陶瓷加熱盤的焊接方法)	Invention	PRC	ZL202411177397.1	Our Company	August 26, 2044
30.	A method for preparing a chromium diboride target (一種二硼化鉻靶材的製備方法)	Invention	PRC	ZL202510118701.3	Our Company	January 24, 2045

No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
31.	A method for preparing a CoFeB target by hot isostatic pressing (一種採用熱等靜壓製備 CoFeB 靶材的方法).	Invention	PRC	ZL202510137600.0	Our Company	February 7, 2045
32.	A CoFeB target and a method for its preparation (一種CoFeB靶材及其製備方法)	Invention	PRC	ZL202510101616.6	Our Company	January 22, 2045
33.	A method for welding target materials (一種靶材焊接方法). . .	Invention	Korea	10-1474380	Our Company	June 10, 2033
34.	A method for preparing a vanadium tungsten alloy target blank (一種釩鎢合金靶坯的製備方法)	Invention	Japan	7376611	Our Company	December 22, 2040

Patents under Application

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent application	Type of patent	Place of application	Application number	Applicant	Application date
1.	An alumina electrostatic chuck, a method for its preparation and its application (一種氧化鋁靜電吸盤及其製備方法和應用).	Invention	PRC	202510166799.X	Our Company	February 14, 2025
2.	A tungsten-silicon alloy target and a method for its preparation (一種鎢硅合金靶材及其製備方法)	Invention	PRC	202510988337.6	Our Company	July 17, 2025
3.	A preparation method for CoZrTaB sputtering target (一種CoZrTaB濺射靶材的製備方法)	Invention	PRC	202511155505.X	Our Company	August 18, 2025
4.	A tungsten target assembly and a method for its preparation (一種鎢靶材組件及其製備方法).	Invention	PRC	202511836483.3	Our Company	December 8, 2025
5.	A preparation method for aluminum alloy sputtering target (一種鋁合金濺射靶材的製備方法).	Invention	PRC	202511836482.9	Our Company	December 8, 2025
6.	A preparation method for molybdenum alloy rotary target (一種鉬合金旋轉靶材的製備方法)	Invention	PRC	202511932161.9	Our Company	December 19, 2025

No.	Patent application	Type of patent	Place of application	Application number	Applicant	Application date
7.	A high-purity cobalt target and a method for its preparation (一種高純鈷靶材及其製備方法).	Invention	PRC	202610127708.6	Our Company	January 29, 2026
8.	A preparation method for aluminum nitride ceramic heater plate (一種氮化鋁陶瓷加熱器盤體的製備方法)	Invention	PRC	202610540606.7	Our Company	April 22, 2026
9.	A tungsten-nickel-tantalum alloy target and a method for its preparation (一種鎢鎳鉭合金靶材及其製備方法)	Invention	PRC	202610635043.X	Our Company	May 9, 2026
10.	A preparation method for MoSi alloy target with uniform composition and low oxygen content (一種成分均勻低氧MoSi合金靶材製備方法)	Invention	PRC	202610643371.4	Our Company	May 11, 2026
11.	A stamping and forming method for titanium pot-shaped target, and an integrally formed pot-shaped target (一種鈦質鍋型靶材的衝壓成型方法、一體成型鍋型靶材) . .	Invention	PRC	202610681862.8	Our Company	May 18, 2026
12.	A target assembly with enhanced backing plate strength and a method for its preparation (一種增強背板強度的靶材組件及其製備方法)	Invention	PRC	202610887024.6	Our Company	June 18, 2026
13.	A large-size tantalum-aluminum alloy target assembly, a method for its preparation and its application (一種大尺寸鉭鋁合金靶材組件及其製備方法與應用) . .	Invention	PRC	202611027428.4	Our Company	July 10, 2026
14.	A low-oxygen fine-grained titanium target, a method for its preparation and its use (一種低氧細晶鈦靶材及其製備方法與用途).	Invention	PRC	202611271018.4	Our Company	August 20, 2026
15.	A welding method for stainless steel and aluminum alloy (一種不銹鋼與鋁合金的焊接方法).	Invention	PRC	202510050705.2	Shanghai Ruisheng	January 13, 2025

No.	Patent application	Type of patent	Place of application	Application number	Applicant	Application date
16.	A welding method for integrated heating and cooling plate (一種加熱冷卻一體式盤體的焊接方法) . .	Invention	PRC	202510464184.5	Shanghai Ruisheng	April 14, 2025
17.	A vacuum diffusion welding method for three-layer gas distribution plate for semiconductor use (一種半導體用三層氣體分配盤體的真空擴散焊接方法)	Invention	PRC	202510973797.1	Konfoong X-Creative and our Company	July 15, 2025
18.	A device and method for cleaning foreign matter in inner cavity of gas distribution plate (一種氣體分配盤內腔異物清理裝置及清理方法)	Invention	PRC	202610610178.0	Konfoong X-Creative and our Company	May 6, 2026
19.	A double-layer limiting fixture for treating wastewater from cleaning of plastic pins (一種雙層限位式塑料pin清洗廢水處理工裝)	Invention	PRC	202611004307.8	Hangzhou Ruisheng Semiconductor Technology Co., Ltd. (杭州睿昇半導體科技有限公司)	July 7, 2026

(c) Copyrights

As of the Latest Practicable Date, there were no copyrights which we consider to be or may be material to our business.

(d) Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain name	Owner	Expiry date
1.	www.kfmic.com	Our Company	August 15, 2027

C. SHARE INCENTIVE PLANS

Since the A-Share Listing, our Company has adopted two share incentive plans with A Shares as the underlying shares to incentivize our Directors, senior management and employees, namely (i) the share option incentive plan adopted in March 2019 (the "**First Incentive Plan**"), under which share options were granted; and (ii) the share incentive plan adopted in January 2022 (the "**Second Incentive Plan**" and, together with the First Incentive Plan, the "**Share Incentive Plans**"), under which restricted shares were granted.

As of the Latest Practicable Date, both Share Incentive Plans had been completed in full, with no outstanding share options or restricted shares, and no further grants will be made thereunder. Accordingly, there will be no dilutive effect on our Shareholders' shareholdings or our earnings per Share upon and after the **[REDACTED]**.

In addition, certain of our subsidiaries have adopted their own share-based incentive schemes, under which eligible employees subscribed for or were transferred equity interests in the relevant subsidiaries. For details, see Note 39(c) to "Appendix I — Accountants' Report." Save as disclosed in this document, no share or loan capital of any of our Major Subsidiary is under option or agreed conditionally or unconditionally to be put under option.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Directors and Chief Executive

The following table sets out the interests and short positions of our Directors and chief executive immediately following the completion of the **[REDACTED]** (assuming that (i) the **[REDACTED]** is not exercised and (ii) no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the **[REDACTED]**) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules.

(i) Interests in Our Company

Name	Position	Nature of interest	Number and description of Shares[(1)]	% of the total issued Shares immediately after the [REDACTED][(2)]
Mr. QIAN Hongbing (錢紅兵)	Executive Director and executive vice president	Beneficial owner	21,000 A Shares	**[REDACTED]**%
Ms. YU Yongqun (于泳群)	Executive Director and chief financial officer	Beneficial owner	70,000 A Shares	**[REDACTED]**%
Mr. ZHENG Liding (鄭立丁)	Non-executive Director	Beneficial owner	5,000 A Shares	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) **[REDACTED]**

(ii) Interests in Our Associated Corporations

Name	Position	Name of associated corporation	Nature of interests	% of Shareholding
Dr. BIAN Yijun (邊逸軍)	Chairperson of the Board, executive Director and chief executive officer	Jingfeng Xinchi (Shanghai) Semiconductor Technology Co., Ltd. (晶豐芯馳(上海)半導體科技有限公司)	Beneficial owner	2.11%

(b) Substantial Shareholders

(i) Interests in Shares of the Company

Save as disclosed in "Substantial Shareholders," immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the **[REDACTED]**), our Directors are not aware of any other person (other than being a Director or chief executive of our Company), who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the voting power at any general meeting of our Company.

(ii) Interests in Other Major Subsidiaries

The following table sets out, so far as the Directors are aware, persons who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other Major Subsidiaries:

Name of Major Subsidiary	Name of substantial shareholder	% of voting rights held by the substantial shareholder
Hot Isostatic Pressing	HU Zhuan (胡專)	10.0%

2. Directors' Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, our Company [has entered into] a service agreement with each of the Directors and proposed Directors which contains provisions in relation to, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

The principal particulars of these service contracts are: (a) each of the agreements is for a term of three years following the effective date of his/her appointment, subject to retirement and re-election in accordance with the Articles of Association, applicable laws and regulations and the Listing Rules; and (b) each of the agreements is subject to termination in accordance with its respective terms.

3. Directors' Remuneration

For details of the Directors' remuneration, see "Directors and Senior Management — Remuneration of Our Directors, Senior Management and Employees" and Note 9(c) to "Appendix I — Accountants' Report."

4. Disclaimers

Save as disclosed in this document:

(i) there is no existing or proposed service contract (excluding any contract expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(ii) there is no arrangement under which any Director has waived or agreed to waive any emolument during the Track Record Period, nor has any sum been paid or agreed to be paid to any Director or past Director as an inducement to join or upon joining our Company, or as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group;

(iii) none of our Directors or the experts named in "— E. Other Information — 8. Qualifications and Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) save in connection with the **[REDACTED]**, none of our Directors nor any of the experts named in "— E. Other Information — 8. Qualifications and Consents of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole; and

(v) none of our Directors or their respective close associates or any Shareholders of our Company (who, to the knowledge of our Directors, own more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to be imposed on our Company or any of the subsidiaries of our Company.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance is pending or threatened against any members of our Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of RMB2 million for acting as the sponsor of our Company in connection with the **[REDACTED]**.

4. Preliminary Expenses

Our Company did not incur any material preliminary expenses in relation to the incorporation of our Company.

5. Compliance Advisor

Our Company has appointed Red Solar Securities (International) Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

6. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2026 (being the date to which the latest audited historical financial information of our Group in "Appendix I — Accountants' Report" was prepared).

7. Promoter

The promoters of our Company are the then 20 Shareholders of our Company as of June 26, 2014 immediately before our conversion into a joint stock company with limited liability.

Within the two years immediately preceding the date of this document, no cash, securities, amount or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters in connection with the **[REDACTED]** or the related transactions described in this document.

8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
China Merchants Securities (HK) Co., Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of regulated activities as defined under the SFO
Grandall Law Firm (Shanghai)	PRC Legal Advisor
King & Wood	International Sanctions Legal Advisor
BDO Limited	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

Save as in connection with the **[REDACTED]**, none of the experts named above is interested legally or beneficially in any shares of any member of our Group or has any right (whether legally enforceable or not) to **[REDACTED]** for or to nominate persons to **[REDACTED]** for securities in any member of our Group.

9. Binding Effect and Taxation of [REDACTED] of H Shares

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

The **[REDACTED]** of H Shares registered with our register of **[REDACTED]** of H Shares will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in "History and Corporate Structure," "Regulatory Overview," "Financial Information" and "— A. Further Information about Our Group — 3. Changes in the Share Capital of Our Major Subsidiaries" in this Appendix, and save in connection with the **[REDACTED]** or otherwise waived or exempted from disclosure pursuant to the waivers and exemptions disclosed in "Waivers and Exemptions,"

(i) within the two years immediately preceding the date of this document,

(a) there has been no alteration in the share capital of our Company or any of our Major Subsidiaries, and no share or loan capital of any of them has been issued or agreed or proposed to be issued, fully or partly paid, either for cash or for consideration other than cash;

(b) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of any member of our Group; and

(c) other than in connection with the **[REDACTED]** and excluding **[REDACTED]** to **[REDACTED]**, no commission has been paid within the two years immediately preceding the date of this document or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company.

(ii) no capital of our Company or any Major Subsidiary is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Company has no founder shares, management shares or deferred shares in issue or agreed to be issued;

(iv) there is no arrangement under which any future dividend of our Company has been waived or agreed to be waived;

(v) there has been no interruption in the business of our Company or any Major Subsidiary which may have or has had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;

(vi) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong by our Company or any Major Subsidiary;

(vii) save for the A Shares listed and traded on the ChiNext Market of the Shenzhen Stock Exchange and the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares being sought on the Stock Exchange, no part of the equity or debt securities of our Company is **[REDACTED]** or **[REDACTED]** on any other stock exchange, and no other **[REDACTED]** or permission to **[REDACTED]** is being or proposed to be sought. For the purposes of the Listing Rules, the **[REDACTED]** of the H Shares on the Stock Exchange will be a primary **[REDACTED]**; and

(viii) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix IV — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.kfmic.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report prepared by BDO Limited, our Reporting Accountants, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2025 and the audited interim consolidated financial statements of our Group for the **[REDACTED]**;

(d) the report on the unaudited **[REDACTED]** financial information prepared by BDO Limited, our Reporting Accountants, the text of which is set out in Appendix II to this document;

(e) **[REDACTED]**;

(f) the legal opinions prepared by Grandall Law Firm (Shanghai), our PRC Legal Advisor, in respect of certain matters of our Group in the PRC;

(g) the industry report from Frost & Sullivan, our Industry Consultant, a summary of which is set forth in "Industry Overview";

(h) the memorandum of advice prepared by King & Wood, our International Sanctions Legal Advisor, in respect of certain matters of our Group as to international sanctions;

(i) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies issued by the CSRC, together with their unofficial English translations;

(j) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts;"

(k) the service contracts with our Directors referred to in "Appendix IV — Statutory and General Information — D. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 2. Directors' Service Contracts"; and

(l) the written consents referred to in "Appendix IV — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts."