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Post Hearing Information Pack of

Shandong Baogai New Materials Technology Co., Ltd.
山東寶蓋新材料科技股份有限公司

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

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Shandong Baogai New Materials Technology Co., Ltd.
山東寶蓋新材料科技股份有限公司

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

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Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per H Share and expected to be not less than HK$[REDACTED] per H Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application and subject to refund)**
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EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

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EXPECTED TIMETABLE

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This summary aims at giving you an overview of the information contained in this document. Because 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, including our financial statements and the accompanying notes, before you decide to **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the "Risk Factors" in this document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**. *Various expressions used in this summary are defined in "Definitions" and "Glossary" in this document.*

OVERVIEW

Founded in 2009, we have established ourselves as a specialized manufacturer in China's composite trench cover industry, specializing in advanced composite trench cover products primarily for engineering and infrastructure needs. The composite materials we utilize are primarily resin-based composites embedded with glass fibers as reinforcing materials complemented by additional structural elements like rebar and cast iron, and functional fillers such as quartz sand and calcium carbonate. Our comprehensive product portfolio primarily includes cable trench covers, drainage trench covers, and manhole trench covers, serving essential sectors such as power, transportation, municipal utilities, hydraulics, real estate and petrochemical engineering across China. According to Frost & Sullivan, we ranked first in China's cable trench cover and composite cable trench cover industries by market shares, and ranked third in the trench cover industry by market shares in 2025. See "Industry Overview" in this document for further details.

We generate our revenue from sales of (i) cable trench covers, (ii) manhole trench covers, (iii) drainage trench covers, and (iv) others.

The following table sets out our revenue breakdown by our product type during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
Cable trench covers	103,840	75.7	93,824	71.7	100,661	70.1
Drainage trench covers	14,347	10.5	19,570	15.0	25,203	17.5
Manhole trench covers	14,275	10.4	14,528	11.1	9,426	6.6
Sub-total	132,462	96.6	127,922	97.8	135,290	94.2
Others[(1)]	4,673	3.4	2,944	2.2	8,355	5.8
Total	137,135	100	130,866	100	143,645	100

Note:

(1) Others primarily consist of sales of cable trays, molds and cast iron manhole covers, agricultural covers and mold repair and maintenance services.

The following table sets out a breakdown of (i) the sale amount, (ii) the sale volume and (iii) the average selling price by each composite trench cover products during the Track Record Period:

	For the year ended 31 December								
	2023			2024			2025		
	RMB'000	*Kilotons*	*RMB'000 per tonne*	*RMB'000*	*Kilotons*	*RMB'000 per tonne*	*RMB'000*	*Kilotons*	*RMB'000 per tonne*
Cable trench covers	103,840	28.2	3.7	93,824	25.7	3.7	100,661	29.1	3.5
Drainage trench covers	14,347	2.6	5.4	19,570	4.1	4.8	25,203	5.7	4.4
Manhole trench covers	14,275	3.5	4.1	14,528	2.6	5.6	9,426	1.9	5.0

For details of fluctuations in our revenue by composite trench cover products, see "Financial Information – Principal Components of our Results of Operations" in this document.

During the Track Record Period, our customers included (i) direct customers and (ii) trading customers. The following table sets forth a breakdown of our revenue by customer type during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	**% of total revenue**	**Revenue** *RMB'000*	**% of total revenue**	**Revenue** *RMB'000*	**% of total revenue**
Direct Customers	99,551	72.6	95,263	72.8	96,524	67.2
Trading Customers	37,584	27.4	35,603	27.2	47,121	32.8
Total	137,135	100	130,866	100	143,645	100

OVERVIEW OF THE TRENCH COVER INDUSTRY

Trench covers serve as protective barriers for ground-level ducts, cable trenches, and utility shafts, ensuring safety, load distribution, and environmental durability. Driven by infrastructure expansion and material innovation, the market is evolving toward lightweight, corrosion-resistant solutions, with smart covers emerging as a key future trend. According to the functional application scenarios, trench covers can be divided into cable trench covers, drainage trench covers, manhole covers, and others (brooder boards, tree grates, etc.). Cable trench covers are protective panels installed over underground utility trenches, primarily shielding power cables from physical damage, environmental hazards, and unauthorized access. They ensure structural integrity under varying loads while enabling safe maintenance access to electrical infrastructure. Designed for durability, insulation, and inspection-friendly characteristics, these covers are critical components in power grids, substations, and urban cable management systems. Drainage trench covers are designed with appropriate load-bearing capacity and drainage performance, and are typically made of ductile iron, steel grating, composite materials, or concrete, depending on the application environment. They are widely used in municipal infrastructure, residential complexes, commercial zones, and industrial facilities. Manhole covers are typically made from materials such as cast iron, composite materials, concrete, or stainless steel, and are designed to meet specific load-bearing and environmental requirements.

MAJOR DEVELOPMENT MILESTONES

Our Company was established in 2009, focusing on sales and production of composite manhole cover products. Since 2011, we have commenced production of composite cable trench covers for substations, and pioneered the development of cable trench cover products, one of our flagship products which have since evolved into the third-generation. In 2020, we were recognised by the China Composites Industry Association (中國複合材料工業協會) as having held the top domestic market share in the PRC, for four consecutive years. In 2021, Zhongdian (Shandong) was first recognized as a high-tech enterprise by the Department of Science & Technology of Shandong Province, Provincial Department of Finance and Shandong Provincial Tax Service, State Taxation Administration. Subsequently, our Company was quoted on the NEEQ under the stock code of 874551 in September 2024. Through years of continuous innovation and operational excellence, we have established ourselves as a market leader in China's composite trench cover industry.

OUR BUSINESS MODEL AND PRODUCTION

We manufacture and supply a comprehensive range of high-performance composite trench cover products, which primarily includes cable trench covers, drainage trench covers, and manhole trench covers. Our composite trench cover products are customizable, with specifications and configurations available upon request. The composite materials we utilize are primarily resin-based composites embedded with glass fibers as reinforcing materials. Our product matrix accommodates non-standard dimensions, specialized features (e.g., fluorescent guidance for emergency escape), and branded customer logos to meet tailored demands from our customers. We also actively promote the intelligent upgrade of our smart cover management system by installing services on all of our products, and applying IoT technology. Our composite trench cover products could be further categorized by key processing procedures, namely BMC (a thermoset composite material consisting of short glass fiber off-cuts) and SMC (a fiber-reinforced thermoset material in sheet form, often with longer glass fiber rolls). The average glass fiber content in our BMC products is approximately 1.8%, while the average glass fiber content in our SMC products is approximately 15.0%.

Our production process consists of five key stages: (i) in-house mold design and production (if required), (ii) metal framework reinforcement production (if required), (iii) raw material processing, (iv) compression molding process, and (v) finished products quality control and storage. The raw material processing encompasses both BMC and SMC, compression molding process of the raw materials into finished products. In general, the primary distinction in BMC and SMC in the preparation and handling of the composite material itself, leading to differences in the compression molding process.

We operate three production facilities located in Shandong Province and Shaanxi Province with an aggregate site area of approximately 42,769 sq.m. and building area of approximately 23,400 sq.m.. These facilities are well equipped with machinery, including compression molding machines, kneading machines, oil temperature control units, mesh drawing machines and rebar processing equipment, with the utilisation rate ranging from 55.1% to 77.7% during the Track Record Period.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers included (i) direct customers and (ii) trading customers. Our direct customers are primarily from downstream sectors in the infrastructure construction industry, including power transmission, transportation networks, urban public infrastructure, infrastructure construction, hydraulic engineering, municipal facilities and petrochemical facilities, with a minority from real estate construction and other industries. They engage with us through our direct sales channel and purchase our products for direct application in their operations. Our trading customers are independent private entities that place orders with us based on their end-users' or contractors' requirements, primarily for the purpose of resale. During the Track Record Period, sales to direct customers accounted for

72.6%, 72.8% and 67.2%, while those to trading customers accounted for 27.4%, 27.2% and 32.8% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Revenue from our five largest customers during the Track Record Period amounted to RMB26.3 million, RMB23.9 million and RMB21.3 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing 19.3%, 18.4% and 14.9% of our total revenue for the same respective years. See "Business – Our Customers".

Our major suppliers are suppliers of raw materials, including unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand, calcium carbonate and others. Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB46.4 million, RMB45.4 million and RMB43.7 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing 75.8%, 76.3% and 67.5% of our total purchases for years ended 31 December 2023, 2024 and 2025, respectively.

Supplier Concentration

We experienced high supplier concentration during the Track Record Period. Such concentration was aligned with our strategy of forming long-term partnerships with qualified suppliers to ensure consistent quality, competitive pricing, and overall cost efficiency. Our Directors are of the view that we are not overly reliant on any single supplier or group of suppliers and such concentration would not impact our business sustainability based on the following reasons: (i) we consider various factors when selecting and managing our suppliers, according to which we have developed a list of qualified suppliers over the years; (ii) according to Frost & Sullivan, the major raw materials we procure are generally readily available from numerous suppliers in the market; and (iii) we generally do not enter into long-term engagements with our suppliers but rather one-off contracts, which is an industry norm, according to Frost & Sullivan. This offers our Group flexibility to select new suppliers and diversify our supplier base from time to time. See "Business – Our Suppliers – Strategic Supplier Relationships".

OUR COMPETITIVE STRENGTHS

We believe that our success is primarily attributable to the following competitive strengths: (i) we are a specialized manufacturer of composite trench covers and ranked first in the composite cable trench cover industry in China; (ii) technological advancement driven by market-oriented R&D; (iii) our in-house mold manufacturing with standardized automated production lines and quality control; (iv) premium brand recognition; and (v) a visionary, experienced, and dedicated management team committed to advancing the composite trench cover industry.

OUR BUSINESS STRATEGIES

We intend to implement the following strategies to further grow our business, strengthen our market position, and create value for our shareholders: (i) innovation and development of resin-based composite products embedded with carbon fibers as reinforcing materials to expand our product portfolio; (ii) expanding our operational efficiency; (iii) enhancing R&D capabilities and product innovation to broaden application scenarios; and (iv) committed to our globalization strategy and solidifying our nationwide presence.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors". As different investors may have different interpretations and criteria when assessing the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to **[REDACTED]** in our **[REDACTED]**. Some of the major risks that we face include but are not limited to: (i) market demand for our products changes or the composite trench cover market fails to achieve the anticipated growth or lacks growth momentum may materially and adversely affect our sales and profitability; (ii) shortages and increase in price of raw materials, and

geopolitical disruptions may increase our costs and adversely affect our business and we may not be able to maintain a stable and reliable supply of raw materials; (iii) we are exposed to concentration risks due to heavy reliance on a small group of suppliers and we may not be able to maintain or secure a reliable supply of raw materials; (iv) we may not be able to keep pace with the rapid changes in market demands or technological advancements; (v) new, superior composite materials emerge or the pace of transition from traditional trench cover materials may significantly decline in market share and sales; and (vi) we are subject to credit risk related to defaults of customers.

IMPACT OF COVID-19

The outbreak of COVID-19 has affected China's and global economy. During the COVID-19 outbreak in 2022, we had not experienced material disruptions in our production. Our Baogai Facility, Zhongdian Facility and Baogai (Xi'An) Facility were temporarily closed for a short period of time, yet without any material disruptions to our business operations. We managed a stable raw material supply chain and stable supply from our suppliers without substantial disruption, demonstrating the consistency of our operational capabilities. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the COVID-19 outbreak did not materially and adversely impact our business, results of operations and financial condition nor caused material disruption to our supply chain.

PRE-[REDACTED] INVESTMENT

We have undertaken pre-**[REDACTED]** investment by capital injection in June 2021. For further details, see "History, Development and Corporate Structure – Pre-**[REDACTED]** Investment".

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the **[REDACTED]**, our Company is held as to approximately 58.71%, 28.39% and 9.68% by Mr. Liu, Ms. Li and Baocheng, respectively. As (i) Ms. Li is the spouse of Mr. Liu; and (ii) Mr. Liu is the sole general partner of Baocheng, Mr. Liu, Ms. Li and Baocheng are considered to be a group of Controlling Shareholders, who collectively held approximately 96.78% of our total issued Shares as of the Latest Practicable Date. Immediately following the completion of the **[REDACTED]**, Mr. Liu, Ms. Li and Baocheng will collectively hold approximately **[REDACTED]**% of our total issued Shares. Accordingly, Mr. Liu, Ms. Li and Baocheng will remain as our Controlling Shareholders immediately after **[REDACTED]**.

See "History, Development and Corporate Structure" and "Relationship with Our Controlling Shareholders".

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them was interested in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business, which requires disclosure pursuant to GEM Listing Rules.

SELECTED FINANCIAL INFORMATION

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

Summary Consolidated Statements of Profit or Loss

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	137,135	130,866	143,645
Cost of sales	(84,758)	(81,782)	(88,824)
Gross profit	52,377	49,084	54,821
Other gains and losses	698	1,128	996
Selling expenses	(4,879)	(6,013)	(8,068)
General and administrative expenses	(12,278)	(12,174)	(12,033)
Research and development costs	(6,457)	(6,134)	(5,842)
Provision for impairment losses on financial assets and contract assets	(1,158)	(1,793)	(3,129)
Profit from operations	28,303	24,098	26,745
Finance income	605	307	152
Finance costs	(636)	(307)	(136)
Profit before taxation	28,272	24,098	26,761
Income tax	(3,050)	(2,474)	(2,707)
Profit for the year attributable to equity shareholders of the Company	25,222	21,624	24,054
Earnings per share			
Basic and diluted *(RMB)*	0.58	0.50	0.55

During the Track Record Period, our revenue was RMB137.1 million, RMB130.9 million and RMB143.6 million for the years ended 31 December 2023, 2024 and 2025, respectively. Our overall gross profit margin was 38.2%, 37.5% and 38.2% for the years ended 31 December 2023, 2024 and 2025, respectively.

Cable trench covers

Revenue from sales of our cable trench covers was RMB93.8 million in 2024, representing a decrease of 9.6% compared with RMB103.8 million in 2023. The decline was mainly attributable to a reduction of 8.9% in sales volume, from 28.2 kilotons in 2023 to 25.7 kilotons in 2024, amid a weaker market environment with reduced urban public infrastructure spending. In 2024 and 2025, the increase in the revenue from sales of our cable trench covers from RMB93.8 million to RMB100.7 million was generally due to the increase in our sales in Northwest China, which witnessed an increase in infrastructure spending.

Cable trench covers are primarily utilized in railway and highway tunnels, power facilities, urban public infrastructure, and water conservancy sectors. According to Frost & Sullivan, the overall composite cable trench cover market expanded by approximately 4.5% between 2023 and 2024. However, our aggregate revenue from these products decreased by approximately 9.6% in 2024, deviating from the broader industry trend due to divergent demand dynamics across downstream segments.

During the Track Record Period, our sales to power-related industries, the principal application for cable trench covers, benefited from sustained investments in power grids and related facilities, and witnessed an increase during the Track Record Period. Nevertheless, this growth was offset by significant contractions in other sectors, primarily driven by a generally weaker market environment characterized by reduced infrastructure spending and the broader slowdown in the PRC property market.

Drainage trench covers

Revenue from sales of our drainage trench covers was RMB19.6 million in 2024, representing an increase of 37.1% compared with RMB14.3 million in 2023. Notwithstanding the backdrop of general reduced infrastructure spending, the increase was primarily attributable to a 57.7% rise in sale volume, from 2.6 kilotons in 2023 to 4.1 kilotons in 2024, driven by our more proactive cooperation with trading customers including more frequent follow-up and the granting of procurement discounts, which generated additional purchase orders during the year. To be specific, we offered a price discount of up to 10% to trading customers in 2024, whilst, during the same period the average selling price of our drainage trench covers decreased from RMB5,400 per tonne to RMB4,800 per tonne as a result that we offered favourable selling price to certain trading customers in return for long-term and more comprehensive cooperation with them.

Revenue from sales of our drainage trench covers was RMB25.2 million in 2025, representing an increase of 28.6% compared with RMB19.6 million in 2024. This growth was primarily driven by strong procurement from trading customers, specifically Customer E and Customer J. During the same period, the average selling price decreased from RMB4,800 per tonne to RMB4,400 per tonne. This decline primarily reflected our proactive price reductions as a strategic response to intensified market competition, aimed at consolidating our market share and sustaining our competitive edge.

In response to the downturn in the urban public infrastructure sector, we implemented more proactive marketing strategies to fortify our market position. These initiatives included intensified follow-ups with trading customers and the strategic granting of procurement discounts. Despite the overall contraction of the infrastructure industry, such measures effectively captured additional purchase orders for our drainage trench covers and expanded our market presence.

Manhole trench covers

Revenue from sales of our manhole trench covers amounted to RMB14.3 million, RMB14.5 million and RMB9.4 million for the years ended 31 December 2023, 2024 and 2025, respectively. Our revenue from manhole trench covers managed to record an increase primarily attributable to a shift in product mix from BMC manhole trench covers to SMC manhole trench covers, which command a higher average selling price. This favorable shift offset the decline in sales volume experienced amid the general reduction in infrastructure spending. The decline in revenue in 2025 was primarily due to a decrease in sales volume as exacerbated by the concurrent general slowdown in the property construction and infrastructure sectors.

The overall average selling price of our cable trench covers and drainage trench covers recorded a decrease during the Track Record Period, which was due to our proactive price reductions as a strategic response to intensified market competition aimed at consolidating our market share and sustaining our competitive edge. The decrease in our overall gross profit margin in 2024 compared to 2023 was mainly attributable to the decline in the gross profit margin of our drainage trench covers, which was consistent with the decrease in our overall gross profit during the same period.

During the Track Record Period, our raw material processing encompasses key processing procedures, namely BMC and SMC. The table below sets forth the breakdown of our revenue by production process for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
BMC	132,621	96.7	122,573	93.7	133,832	93.2
SMC	2,277	1.7	6,839	5.2	8,309	5.8
Others(1)	2,237	1.6	1,454	1.1	1,504	1.0
Total	137,135	100	130,866	100	143,645	100

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers and mold repair and maintenance.

The following table sets forth the breakdown of the gross profit and gross profit margin by our composite trench cover products.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
Cable trench cover	38,758	37.3	35,190	37.5	37,061	36.8
Drainage trench cover	6,315	44.0	6,622	33.8	10,383	41.2
Manhole trench cover	5,774	40.4	6,269	43.2	3,781	40.1
Others(1)	1,530	32.7	1,003	34.1	3,596	43.0
Total	52,377		49,084		54,821	

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers, agricultural covers and mold repair and maintenance.

Cable trench covers: In 2023, 2024 and 2025, our gross profits for cable trench covers were generally in line with our revenue generated therefrom for the same year. Our gross profit margins for cable trench cover during the Track Record Period were 37.3%, 37.5% and 36.8%, respectively.

Drainage trench covers: In 2023 and 2024, our gross profits for drainage trench covers were RMB6.3 million and RMB6.6 million, respectively, while our gross profit margin decreased from 44.0% to 33.8%. In 2024, we actively procured more cooperation with certain trading customers to whom we offered favourable selling prices to increase sales of our drainage trench covers, which caused such decrease in our gross profit margin of drainage trench cover in 2024. In 2024 and 2025, our gross profit margin for drainage trench covers increased from 33.8% to 41.2%. Such increase was primarily driven by the optimization of our product mix, characterized by an increased revenue contribution from rebar reinforcement framework drainage trench covers, while the proportion of lower margin cast iron reinforcement framework drainage trench covers decreased accordingly. Furthermore, our Company leveraged its in-house machinery, including rebar straightening machine and mesh drawing machine, to process rebar internally.

This vertical integration effectively reduced our production costs and bolstered the gross profit margin of our rebar reinforcement framework drainage trench covers and as such, our gross profit margin for products with rebar reinforcement framework is higher than that with cast iron reinforcement framework.

Manhole trench covers: In 2023 and 2024, our gross profits for manhole trench covers were RMB5.8 million and RMB6.3 million, respectively. For the same period, the increase in our gross profit margin from 40.4% to 43.2% was due to an increase in average selling price of our manhole trench covers from RMB4,100 per tonne in 2023 to RMB5,600 per tonne in 2024 as the products with more enhanced features and higher price, including our SMC manhole trench covers, proportionately increased. In 2024 and 2025, our gross profits for manhole trench covers were generally in line with our revenue generated therefrom for the same period. However their gross profit margins decreased from 43.2% to 40.1%, primarily due to a decline in the revenue contribution from SMC manhole trench covers, which typically command a higher profit margin.

The following table sets forth a breakdown of our gross profit and gross profit margin by customer type.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct Customers	39,756	39.9	37,768	39.6	39,131	40.5
Trading Customers	12,621	33.6	11,316	31.8	15,690	33.3
Total	52,377	38.2	49,084	37.5	54,821	38.2

Our gross profit margins for direct customers were higher than those for trading customers during the Track Record Period, primarily because we are able to command higher premium pricing through direct sales without the involvement of intermediaries. Our gross profit margin for direct customers was 39.9%, 39.6%, and 40.5% for the years ended 31 December 2023, 2024, and 2025, respectively. In contrast, our gross profit margin for trading customers was 33.6% in 2023, which decreased to 31.8% in 2024, primarily due to strategic price discounts offered to foster more proactive collaborations. This margin subsequently recovered to 33.3% in 2025.

Such decrease was primarily due to the price discount we offered to our trading customers driven by our more proactive cooperation with our trading customers.

The following table sets forth a breakdown of our gross profit and gross profit margin by production process.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
BMC	50,863	38.4	45,564	37.2	50,263	37.6
SMC	1,068	46.9	3,123	45.7	3,498	42.1
Others[(1)]	446	19.9	397	27.3	1,060	70.4
Total	52,377	38.2	49,084	37.5	54,821	38.2

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers and mold repair and maintenance.

During the Track Record Period, our gross profit margin for SMC products was generally higher than that for BMC products, because SMC products offered enhanced mechanical properties and performance over BMC products due to their higher proportion of glass fiber content and longer glass fiber length, which rendered us greater bargaining power against our customers over pricing.

Profit for the year

For the years ended 31 December 2023, 2024 and 2025, our profit for the year was RMB25.2 million, RMB21.6 million and RMB24.1 million, respectively. Our net profit decreased by 14.3% from RMB25.2 million in 2023 to RMB21.6 million in 2024 primarily due to: (i) the decrease in revenue, largely driven by a decline in revenue from sales of our cable trench covers, our main revenue segment, amid a weaker market environment with reduced urban public infrastructure constructions, although such decrease was offset by an increase in sales of our drainage trench covers and manhole trench covers in the same period; and (ii) the increase in selling expenses due to the increase in commission rate and the increase in advertisement and promotional fees. In addition, our net profit increased by 11.6% from RMB21.6 million for the year ended 31 December 2024 to RMB24.1 million for the year ended 31 December 2025. Such increase was generally in line with the increase in revenue for the respective years.

Selected Items from Consolidated Statement of Financial Position

	As of 31 December		
	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Total current assets	85,241	97,654	112,456
Total current liabilities	34,155	24,923	26,767
Net current assets	51,086	72,731	85,689
Total non-current assets	75,931	74,929	71,719
Total non-current liabilities	3,239	2,258	972
Total equity	123,778	145,402	156,436

Our net assets increased from RMB123.8 million as of 31 December 2023 to RMB145.4 million as of 31 December 2024, which was due to our net profit of RMB21.6 million for the year ended 31 December 2024. Whereas, our net assets increased from RMB145.4 million as of

31 December 2024 to RMB156.4 million as of 31 December 2025, which was due to our net profit of RMB24.1 million for the year ended 31 December 2025 and the dividend declared in the amount of RMB13.0 million declared in May 2025.

Our net current assets decreased from RMB85.7 million as of 31 December 2025 to RMB72.2 million as of 30 April 2026, primarily due to (i) a decrease in trade and bills receivables of RMB13.9 million, primarily attributable to settlement of outstanding balances by our customers prior to the Chinese New Year holiday; (ii) a decrease in cash and cash equivalents of RMB19.8 million, primarily attributable to the subscription of wealth management products. These were partially offset by (i) a decrease in trade payables of RMB5.3 million, primarily attributable to the timely settlement of outstanding balances with our suppliers in accordance with the credit terms; (ii) a decrease in accrued expenses and other payables of RMB5.8 million, primarily attributable to the settlement of bonus payables to our employees; (iii) a decrease in contract liabilities of RMB0.9 million, primarily attributable to the recognition of revenue upon the delivery of products to customers; and (iv) an increase in financial assets measured at fair value through profit or loss of RMB11.4 million, primarily attributable to subscription of wealth management products subscribed by us.

Selected Items from Consolidated Statements of Cash Flows

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	34,446	30,998	33,828
Add: Change in working capital	(22,533)	(13,765)	(7,067)
Income tax paid	(2,355)	(3,405)	(4,187)
Net cash generated from operating activities	9,558	13,828	22,574
Net cash used in investing activities	(7,129)	(5,198)	(5,545)
Net cash used in financing activities	(15,257)	(8,749)	(20,461)
Net decrease in cash and cash equivalents	(12,828)	(119)	(3,432)
Cash and cash equivalents at 1 January	49,503	36,675	36,556
Cash and cash equivalents at 31 December	36,675	36,556	33,124

For the year ended 31 December 2023, we had net cash flows from operating activities of RMB9.6 million. This net cash inflow was primarily due to (i) profit before tax of RMB28.3 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB4.3 million, depreciation of right-of-use assets of RMB1.3 million, amortization of intangible assets of RMB23,000, and finance costs of RMB0.6 million; and (ii) an increase in inventories of RMB1.8 million; an increase in contract assets of RMB0.5 million; an increase in trade and bills receivables of RMB23.8 million; an increase in trade and bills payables of RMB4.0 million; a decrease in accrued expenses and other payables of RMB1.2 million; an increase in contract liabilities of RMB0.2 million.

For the year ended 31 December 2024, we had net cash flows from operating activities of RMB13.8 million. This net cash inflow was primarily due to (i) profit before tax of RMB24.1 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB5.4 million, depreciation of right-of-use assets of RMB1.3 million, amortization of intangible assets of RMB23,000, and finance costs of RMB0.3 million; and (ii) an increase in inventories of RMB3.9 million; an increase in contract assets of RMB3.9 million; an increase in trade and bills receivables of RMB6.4 million; an increase in trade and bills payables of RMB0.3 million; an increase in accrued expenses and other payables of RMB33,000; an increase in contract liabilities of RMB0.5 million.

For the year ended 31 December 2025, we had net cash flows from operating activities of RMB22.6 million. This net cash inflow was primarily due to (i) profit before tax of RMB26.8 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB5.8 million, depreciation of right-of-use assets of RMB1.3 million, amortization of intangible assets of RMB24,000, and finance costs of RMB0.1 million; and (ii) an increase in inventories of RMB2.4 million; a decrease in contract assets of RMB3.5 million; a decrease in trade and bills receivables of RMB13.8 million; an increase in trade and bills payables of RMB2.9 million; an increase in accrued expenses and other payables of RMB1.4 million; an increase in contract liabilities of RMB1.2 million.

KEY FINANCIAL RATIOS

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

	As of/For the year ended 31 December		
	2023	**2024**	**2025**
Gross profit margin[(1)]	38.2%	37.5%	38.2%
Net profit margin[(2)]	18.4%	16.5%	16.7%
Current ratio[(3)]	2.5	3.9	4.2
Quick ratio[(4)]	2.2	3.5	3.7
Return on total assets[(5)]	15.6%	12.5%	13.1%
Return on equity[(6)]	20.4%	14.9%	15.4%
Gearing ratio[(7)]	30.2%	18.7%	17.7%
Cash conversion cycle[(8)] (days)	85.4	127.4	155.1

Notes:

(1) Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.

(2) Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

(3) Current ratio is calculated by dividing total current assets by total current liabilities as of the end of the period.

(4) Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities as of the end of the period.

(5) Return on assets is calculated by dividing profit for the year by total assets as of the end of the period and multiplying the resulting value by 100%.

(6) Return on equity is calculated by dividing profit for the year by total equity as of the end of the period and multiplying the resulting value by 100%.

(7) Gearing ratio is calculated by dividing total debts by total equity as of the end of the period.

(8) Cash conversion cycle equals inventory turnover days, plus trade and bills receivables turnover days, minus trade payable turnover days.

See "Financial Information" for further details.

[REDACTED]

[REDACTED] comprise professional fees, **[REDACTED]** commissions, and other incremental costs incurred in connection with the **[REDACTED]**. Based on the mid-point of the indicative **[REDACTED]** range, we estimate that the total **[REDACTED]** will be approximately HK$**[REDACTED]** (RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the **[REDACTED]**. These expenses are categorized into: (i) **[REDACTED]**-related expenses (including but not limited to commissions and fees) of approximately HK$**[REDACTED]**

(RMB**[REDACTED]**); and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]** (RMB**[REDACTED]**), which further consist of (a) professional fees for legal advisers and reporting accountants of approximately HK$**[REDACTED]** (RMB**[REDACTED]**), and (b) other fees and expenses of approximately HK$**[REDACTED]** (RMB**[REDACTED]**). Out of the total estimated **[REDACTED]**, approximately HK$**[REDACTED]** (RMB**[REDACTED]**) is directly attributable to the issuance of new Shares and will be deducted from equity upon completion of the **[REDACTED]**. The remaining HK$**[REDACTED]** (RMB**[REDACTED]**) will be expensed in our consolidated statements of profit or loss and other comprehensive income. Specifically, HK$**[REDACTED]** (RMB**[REDACTED]**) was already incurred during the Track Record Period, and we expect to further incur approximately HK$**[REDACTED]** (RMB**[REDACTED]**) to be charged to our profit or loss for the year ending 31 December 2026.

[REDACTED]

FUTURE PLANS AND [REDACTED]

Assuming that the **[REDACTED]** is not exercised, after deducting the **[REDACTED]** commissions and other estimated **[REDACTED]** expenses payable by us in connection with the **[REDACTED]**, and assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]**. We intend to use the **[REDACTED]** from the **[REDACTED]** for the following purposes: (i) approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be allocated to establishment of a production line for continuous carbon fiber prepreg and products; (ii) approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to upgrade our existing production lines by adopting automation technologies; (iii) approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to finance our R&D expansion, enhancing our R&D outputs including procurement of advanced equipment and testing consumables; (iv) approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to further develop our global sales and market channels, so as to raise global awareness of our brand, market penetration and service efficiency; and (v) approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for our general working capital. See "Future Plans and **[REDACTED]**" in this document.

DIVIDEND POLICY

In May 2025, our Company declared dividends in respect of the year ended 31 December 2024 of RMB3.0 per ten shares, in an aggregate amount of RMB13.0 million was approved by the shareholders of the Company. Save for the above, no other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Subsequently, in March 2026, our Company declared dividends for the year ended 31 December 2025 of RMB3.0 per ten shares, amounting to RMB13.0 million in aggregate, which was also approved by the Shareholders of the Company.

As of the Latest Practicable Date, our Company has not adopted a formal dividend policy, nor do we maintain a pre-determined dividend payout ratio.

The declaration, payment, and amount of any future dividends will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors, which our Directors consider relevant.

CSRC FILING

According to the Overseas Listing Trial Measures, we are required to complete the filing procedures with the CSRC in connection with the proposed **[REDACTED]**. We have submitted a filing to the CSRC for application for the **[REDACTED]** on 25 September 2025. The CSRC confirmed completion of such filing on 10 March 2026. As advised by our PRC Legal Adviser, no other approvals from the CSRC are required to be obtained for the **[REDACTED]**.

PROPERTIES

As of the Latest Practicable Date, we owned two properties and leased one property in China for our business operations, all of which are designated for our production and operations. For details, see "Appendix III – Property Valuation" in this document.

COMPLIANCE

Save as disclosed in "Business – Property", during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RECENT DEVELOPMENT

During the first quarter of 2026, along with the increase in petroleum price, the market price of unsaturated polyester resin, our key raw material, rose by around 30%, and the market price of glass fiber rolls rose by around 20%. These external factors may lead to upward pressure on our raw material cost and compressing our gross profit margin. Accordingly, we anticipate that our raw material costs, will be subject to upward pressure, in particular due to the recent conflict involving Iran and the resulting geopolitical tensions in the Middle East. If we are unable to fully pass through such incremental costs to our customers, these fluctuations may result in a potential compression of our gross profit and net profit.

We expect that there may be a decrease in net profit for the year ending 31 December 2026, primarily due to (i) an increase in our selling and distribution expenses in 2026 resulting from the planned expansion of sales channels and enhancement of marketing capabilities; (ii) the incurrence of non-recurring **[REDACTED]** recognized in administrative expenses; and (iii) upward pressure on raw material costs driven by fluctuations in market prices.

Our Directors confirm that, up to the date of this document, save as disclosed above, there has been no material adverse change in our financial condition, results of operations and operating cash flow, nor has there been any material adverse change in our revenue, cost of sales, gross profit, and gross profit margin since 31 December 2025 (being the date on which the latest audited consolidated financial information of our Company was prepared) and there is no event since 31 December 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

QUOTATION OF OUR NON-H SHARES ON THE NEEQ

Since September 2024, our Non-H Shares have been quoted on the NEEQ under the stock code of 874551. Our Directors confirm that we have not experienced any material non-compliance of the rules and requirements of the NEEQ (in respect of our Non-H Shares that are quoted on the NEEQ) from the commencement of all issued Non-H Shares being quoted on the NEEQ and up to the Latest Practicable Date.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Technical terms in relation to our Group's industry and business operations are explained in "Glossary" in this document.

"Accountants' Report"	the accountants' report of our Group from the Reporting Accountants, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"AFRCO"	the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Articles of Association" or "Articles"	the articles of association of our Company, as amended from time to time, which will become effective on the **[REDACTED]**, a summary of which is set out in "Appendix VI" to this document
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Baocheng"	Baocheng (Zibo) Enterprise Management Partnership Enterprise (Limited Partnership) (寶成(淄博)企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on 17 December 2019, set out in "History, Development and Corporate Structure" to this document, and one of our Shareholders
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day(s)" or "business day(s)"	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
	[REDACTED]
	[REDACTED]
"China" or "PRC" or the "People's Republic of China"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan, China

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Shandong Baogai New Materials Technology Co., Ltd. (山東寶蓋新材料科技股份有限公司), formerly known as Zibo Baogai Construction Material Co. Ltd., a limited liability company established in the PRC on 22 January 2009 which was converted into a joint stock company with limited liability on 23 May 2019
"Compliance Adviser"	Zhongtai International Capital Limited
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Mr. Liu Zhentao (劉振韜), Ms. Li Xiaoyan (李曉燕) and Baocheng (Zibo) Enterprise Management Partnership Enterprise (Limited Partnership) (寶成(淄博)企業管理合夥企業(有限合夥))
"core connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus
"CSDC"	China Securities Depositary 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
"ECLs"	expected credit losses
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public's ability to resume work or brings safely concern for a prolonged period
"ESG"	environmental, social and governance
	[REDACTED]
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research agency and an Independent Third Party
"Frost & Sullivan Report"	an independent market research report prepared by Frost & Sullivan, which was commissioned by our Company for the purpose of this document
"FVPL"	fair value through profit or loss
"GEM"	GEM of the Stock Exchange
"GEM Listing Committee"	the GEM Listing Committee of the Stock Exchange
"GEM Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
	[REDACTED]
"Group," "our Group", "we" or "us"	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
"Guide"	the Guide for New Listing Applicants published by the Stock Exchange on 29 November 2023, which consolidated and enhanced all effective guidance letters and listing decisions related to New Listing (as defined under Chapter 1.01 of the GEM Listing Rules), as amended from time to time
"H Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
	[REDACTED]
	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IIT Law"	Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), as amended, supplemented or otherwise modified from time to time
"independent third party(ies)" or "Independent Third Party(ies)"	individual(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are independent and not connected person(s) of our Company within the meaning of the GEM Listing Rules
"IOT"	Network of sensors and devices embedded in infrastructure to collect, transmit and analyze real-time data

[REDACTED]

[REDACTED]

"Latest Practicable Date"	20 June 2026, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

[REDACTED]

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"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)
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Ji"	Mr. Ji Hongwei (籍洪偉先生), an independent non-executive Director
"Mr. Leung"	Mr. Leung Ka Wai (梁嘉偉先生), an independent non-executive Director
"Mr. Li"	Mr. Li Dong (李東先生), an executive Director
"Mr. Liu"	Mr. Liu Zhentao (劉振韜先生), an executive Director and the chairman of our Board
"Mr. Wu"	Mr. Wu Yingpeng (吳英鵬先生), an independent non-executive Director
"Mr. Yang"	Mr. Yang Lei (楊雷先生), a company secretary
"Ms. Fan"	Ms. Fan Hongyan (範洪燕女士), an executive Director
"Ms. Li"	Ms. Li Xiaoyan (李曉燕女士), an executive Director and the spouse of Mr. Liu
"Ms. Sun"	Ms. Sun Ailing (孫愛玲女士), an executive Director
"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)
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares of public companies
"Nomination Committee"	the nomination committee of our Board
"Non-H Shares"	ordinary Share(s) with a nominal value of RMB1.00 each, other than our H Shares (namely, the Share(s) currently quoted on NEEQ)

[REDACTED]

[REDACTED]

[REDACTED]

"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) released by the CSRC on 17 February 2023 and which took effect on 31 March 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, which was last amended on 29 December 2023 and became effective on 1 July 2024, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

"PRC Legal Adviser"	Beijing YINGKE Law Firm, the legal adviser to our Company as to PRC law in connection with the **[REDACTED]**
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Accountants"	KPMG
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"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) or its predecessor the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"SAT"	the State Administration of Taxation of the PRC (中國國家税務總局)
"SCNPC"	Standing Committee of the National People's Congress, the permanent body of the National People's Congress of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Baoding"	Shandong Baoding Machinery Mold Co., Ltd. (山東寶鼎機械模具有限公司), a company established on 22 February 2022 in the PRC, being a wholly owned subsidiary of our Company
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising our Domestic Shares and H Shares
	[REDACTED]
"Shareholder(s)"	holder(s) of the Share(s)
	[REDACTED]
"Sole Sponsor"	Zhongtai International Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"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
"subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended 31 December 2023, 2024 and 2025
	[REDACTED]

[REDACTED]

"USA", "U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	the PRC value-added tax

[REDACTED]

[REDACTED]

"Xi'An Baogai"	Xi'An Baogai New Materials Technology Co., Ltd. (西安寶蓋新材料科技有限公司), a company established on 7 September 2021 in the PRC, being a wholly owned subsidiary of our Company
"Zhongdian (Shandong)"	Zhongdian (Shandong) Electric Power Technology Co., Ltd. (中電(山東)電力科技有限公司), a company established on 25 December 2019 in the PRC, being a wholly owned subsidiary of our Company
"%"	per cent

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires. The English translation of company names in Chinese or another language which are marked with "" is for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

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.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

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

GLOSSARY

This glossary of technical terms contains explanations of certain technical terms used in this Document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"Bulk Molding Compound" or "BMC"	a thermoset composite material consisting of short glass fibers mixed with resin and fillers, used in compression or injection molding for high-strength, complex components
"CAGR"	compound annual growth rate
"calcium carbonate"	a mineral filler added to resins or concrete to reduce cost and improve stiffness
"carbon fiber composite"	a composite material consisting of carbon fiber as the reinforcing phase and polymer (including thermosetting resins and thermoplastic resins) as the matrix
"carbon-carbon composite"	a composite material composed of a carbon-fiber skeleton reinforced by a carbon matrix deposited via liquid or gas phase processing, used for spacecraft heat shields and aircraft brake discs
"cast iron"	iron-carbon alloy cast to shape, valued for compression strength and vibration damping but prone to corrosion
"cement"	a powdered hydraulic binder that hardens on hydration, forming the bulk matrix of concrete trench covers
"Class A2"	a fire safety rating under the European EN 13501-1 standard indicating non-combustible or limited combustibility materials with minimal contribution to fire propagation and smoke production
"Continuous Carbon Fiber Reinforced Thermoplastic polymer" or "CFRTP"	a high-performance composite material utilizing continuous fibers (such as carbon fiber) as reinforcement and high-performance thermoplastic resins like PEEK, PEI, or PPS as the matrix. It has excellent re-formability, high strength, high modulus, and lightweight properties
"Electric Vehicle" or "EV"	a vehicle powered by one or more electric motors using energy stored in rechargeable batteries, emphasizing lightweight and high-strength materials to improve efficiency and range
"fiberglass"	a composite material formed by using glass fibers as a reinforcement within a polymer matrix
"glass fiber"	an inorganic non-metallic fibrous material, produced from glass through processes including high-temperature melting drawing into filaments, and winding. It combines the chemical stability of glass with the mechanical flexibility of fibers
"glass fiber composite"	a material composed of glass fibers as the reinforcing material and a resin matrix, combined through specific manufacturing processes

"glass fiber off-cuts"	short-cut or recycled glass fiber scraps generated during manufacturing, typically priced at 20% to 40% of glass fiber rolls and share essentially identical physical functions and mechanical properties
"glass fiber rolls"	continuous glass fiber rovings wound into cylindrical rolls, serving as the primary raw material for GFRP production
"Internet of Things" or "IoT"	network of sensors and devices embedded in infrastructure to collect, transmit and analyze real-time data
"kg"	kilogram
"low-altitude economy"	a comprehensive economic form centered on low-altitude airspace (typically below 1,000 meters above ground level, potentially extending to 3,000 meters) that utilizes drones, eVTOL aircraft and other low-altitude vehicles for commercial activities
"matrix"	continuous phase that binds and transfers load to the reinforcement, protects the reinforcement from environment, and determines the overall shape and surface quality of the composite. Typical matrices include cementitious grout, thermoset/thermoplastic resins, and ceramics
"molding"	the process of shaping and curing fiber-resin materials in a die or mandrel to form final composite parts
"NB-IoT"	Narrow-Band IoT communications unit enabling low-power, wide-area data transmission from remote covers to city platforms
"Polyether Ether Ketone" or "PEEK"	a high-performance engineering thermoplastic with exceptional mechanical strength, chemical resistance, and thermal stability up to 250°C, widely used in aerospace, medical, and automotive composites
"Polyether Ketone Ketone" or "PEKK"	a polymer similar to PEEK, belonging to the polyether ketone (PAEK) family. It typically exhibits a higher glass transition temperature and melting point, and is frequently used in additive manufacturing (3D printing) and fields requiring superior thermal stability
"prepreg"	a reinforcement material (e.g., carbon or glass fibers) pre-impregnated with a thermoset or thermoplastic resin, partially cured for easy handling and optimized for high-performance composite manufacturing
"R&D"	Research and development
"raw material"	raw material includes unsaturated polyester resin, fiberglass, rebar, additives, fillers and other materials, such as quartz sand and calcium carbonate

"rebar"	ribbed steel bars used to reinforce concrete trench covers, providing tensile strength
"reinforcement framework"	a structural skeleton, often made of fibers such as glass or carbon, embedded within a matrix to enhance mechanical properties like strength, stiffness, and impact resistance in composites
"resin"	a polymeric binder that solidifies on curing, giving trench-cover composites their matrix strength and environmental resistance
"Sheet Molding Compound" or "SMC"	a fiber-reinforced thermoset material in sheet form, often with longer glass fibers, suitable for compression molding of large, lightweight, and high-strength parts
"structural components"	a structural skeleton predominantly made of metallic materials (cast-iron, rebar, etc.), which is embedded in a matrix to carry primary mechanical loads and to improve strength, stiffness and impact resistance
"sq.m."	square metre(s)
"thermoplastic"	a polymer that becomes soft and moldable when heated and hardens upon cooling, allowing for recycling and reshaping
"thermosetting"	a polymer that irreversibly cures through heat or chemical reaction into a rigid, infusible, and durable network
"UHV transmission"	ultra-high-voltage technology enabling bulk power transfer (>1,000 kV) with minimal losses over thousands of kilometres
"unsaturated polyester"	a thermosetting resin that cross-links with styrene to form tough, cost-effective matrices widely used in general-purpose GFRP products

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, belief, expectations or intentions for the future, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as "aim", "anticipate", "believe", "can", "consider", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "might", "ought to", "plan", "potential", "project", "propose", "seek", "should", "will", "would" and other similar terms. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements include, but are not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our planned **[REDACTED]**;
- our operations, business and financial prospects, including development plans for our business and future cash flows;
- our capital commitment plans;
- our future debt levels and capital needs;
- the future developments and competitive environment of the industry and markets in which we operate;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- relationships with parties we contract and collaborate with to conduct our business;
- risks identified under the section headed "Risk Factors" in this document;
- general economic trends; and
- other statements in this document that are not historical facts.

Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. See "Risk Factors", "Business" and "Financial Information" in this document for more details.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events.

Except as required by applicable laws and regulations, including the GEM Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, **[REDACTED]** should not place undue reliance on any forward-looking information.

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

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the **[REDACTED]** *of our H Shares could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If the market demand for our products changes or the composite trench cover market fails to achieve the anticipated growth or lacks growth momentum, our sales and profitability may be materially and adversely affected.

Adverse macroeconomic conditions, particularly economic downturn, rising capital costs and decline in business confidence, could reduce engineering and infrastructure investment activity resulting in decrease in demand for our products by delaying the replacement of traditional trench covers with composite trench covers, postponing upgrades of existing trench covers, or reducing new purchases of composite trench covers. Such economic downturns may also impair our customers' ability to secure financing for their engineering and infrastructure projects, which could result in a decline in demand for or the prices of our products. Delaying and lengthening project approval and procurement cycles may have a material adverse effect on our business, financial condition and results of operations.

In addition, our business, financial condition and results of operations are closely tied to the demand for composite trench cover products in the PRC market. Should the market fluctuate, our sales and profitability may be materially affected. According to Frost & Sullivan, the demand for composite trench cover products in China stems from several key drivers, among others, the expansion of energy infrastructure, urbanization and smart initiative, industrial modernization and digital infrastructure development. Any weakening in these demand drivers would materially impact our results of operations. Furthermore, as our operations are highly dependent on the PRC market, demand for our products is subject to changes in public engineering and infrastructure budgets and government spending in China. Fluctuations in public engineering and infrastructure budgets at both national and local levels could significantly affect demand for our products. The potential reprioritization of infrastructure spending or adjustments to urbanization policies may create uncertainty in our core markets. A change in public engineering and infrastructure investment could materially affect our business, financial condition and results of operations.

As we pursue globalization and expand into overseas markets, we recognize distinct demand drivers across different countries. Demand for composite trench covers in developed countries is driven by maintenance of aging infrastructure and smart city initiatives; while emerging overseas markets provide significant urbanization-driven growth potential, though actual growth may not meet expectations. If demand for our products is weaker than anticipated, our business, financial condition and results of operations may be adversely affected. Moreover, in certain developing countries and regions, demand for trench covers is closely tied to infrastructure projects. Should future investments and projects in these areas be postponed, our efforts to expand in these markets could be negatively impacted.

Shortages and increase in price of raw materials, and geopolitical disruptions, including the recent conflict involving Iran and heightened tensions in the Middle East, may increase our costs and adversely affect our business, and we may not be able to maintain a stable and reliable supply of raw materials.

Our success heavily depends on a stable supply chain for raw materials. We primarily source raw materials, including unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand, calcium carbonate and others from our suppliers. Significant fluctuations in the prices of raw materials, or suppliers' inability to deliver on time due to capacity constraints, operational issues, delivery capabilities or other external factors, could result in production delays, increased costs or even an inability to fulfill customer orders. During the Track Record Period, our cost of raw materials amounted to approximately RMB56.4 million, RMB51.3 million and RMB54.4 million for the years ended 31 December 2023, 2024 and 2025, respectively, accounting for 41.1%, 39.2% and 37.9% of our total revenue, respectively. Any unexpected shortage, delay in delivery or price fluctuations of raw materials may interrupt the supply and in turn disrupt our manufacturing and delivery schedule, in which case we would then have to source the raw materials from alternative suppliers, which may affect the quality and stability of our manufacturing process and profitability. Failure to secure a sufficient and high-quality supply of raw materials for our operations at a reasonable cost, or at all, may have a material and adverse impact on our business, results of operations and financial condition.

Our raw material costs may also be affected by geopolitical developments and regional instability. In particular, the recent conflict involving Iran and heightened tensions in the Middle East may contribute to volatility in energy and petrochemical prices and may increase transportation and logistics costs. To the extent such developments affect the market prices or supply of raw materials used in our operations, including unsaturated polyester resin, glass fiber, quartz sand and calcium carbonate, our procurement costs may increase. A significant price increase for key ingredients, particularly unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand and calcium carbonate, could materially raise our production costs. During the first quarter of 2026, along with the increase in petroleum price, the market price of unsaturated polyester resin, our key raw material, rose by around 30%, and the market price of glass fiber rolls rose by around 20%. If we are unable to pass on such increased costs to our customers in a timely manner, or at all, our gross profit margin and profitability may be adversely affected.

Our business and long-term competitiveness rely on ongoing investment in R&D, access to advanced technologies and the development of innovation capabilities. We may not be able to keep pace with the rapid changes in market demands or technological advancements.

The composite trench cover industry continues to evolve with the introduction of higher-performance, smarter products that respond to the changing needs of municipalities, contractors, and infrastructure developers. To maintain our competitive position, we invest significant resources in developing innovative composite material technologies and smart trench cover solutions, including IoT-integrated covers and eco-friendly material formulations.

We enhance our core competitiveness through in-house R&D initiatives and strategic university partnerships, having invested RMB18.4 million during the Track Record Period to develop proprietary composite technologies and advanced manufacturing processes. Our strategy depends on our ability to identify emerging infrastructure trends, particularly in smart city development and green building initiatives. However, we cannot guarantee that we will accurately predict market shifts, nor that our advanced composite materials or smart cover systems will gain market acceptance or achieve commercial success. If we are unable to develop advanced trench cover products that meet the evolving needs of municipalities and infrastructure developers in a timely manner, particularly as competitors may develop trench covers with lower production costs or enhanced smart functionalities, our competitive advantage could be diminished and our business, financial condition and results of operations could be adversely affected.

Our future performance and reputation depend on our ability to innovate in material science and smart infrastructure integration, which in turn relies on our R&D capabilities and commercialization speed. In particular, leveraging the experience and know-how accumulated in the composite trench cover industry, we are also seeking to apply composite and continuous carbon fiber reinforced thermoplastic materials in other scenarios, including new power energy, new infrastructure and low-altitude economy sector. These initiatives involve significant uncertainties in terms of R&D results, commercialization prospects and market acceptance. If we are unable to successfully develop new composite applications in these industries in a timely manner, particularly where competitors may achieve breakthroughs offering superior performance, lower costs or enhanced functionalities, our ability to capture future growth opportunities will be limited. In addition, failed R&D projects may result in unrecoverable costs that could also negatively impact our financial performance.

We may face a significant decline in market shares and sales if new, superior composite materials emerge or the pace of transition from traditional trench cover materials, such as cement or cast iron, is less than expected.

We may face a significant decline in market shares or sales if new, superior composite materials emerge and render our current products obsolete. The composite materials industry is characterized by ongoing R&D, which could lead to the introduction of alternative composites that offer superior properties, such as reduced weight, higher strength-to-weight ratios, significantly lower production costs, or enhanced environmental sustainability. If our competitors successfully commercialize such products and gain market acceptance among our customers, including municipalities and infrastructure developers, demand for our existing composite trench cover products could decline rapidly. Our future performance depends on our ability to anticipate these trends and innovate continuously. If we are unable to develop and introduce competitive new material formulations in a timely manner, or if we are required to make substantial unplanned investments in R&D and production retooling to keep pace, our business, financial condition, and results of operations could be materially and adversely affected.

In addition, the transition from traditional trench cover materials, such as cement or cast iron, to composite alternatives is a gradual process. Infrastructure and municipal projects often involve stringent technical specifications and regulatory approval processes, which may delay the introduction and acceptance of new products. As a result, we may face challenges in establishing widespread acceptance with our customers. If the transition to composite materials takes longer than expected, or if market acceptance remains limited, our sales, profitability, and growth prospects could be materially and adversely affected.

We are subject to credit risk related to defaults of customers.

We are exposed to credit risk related to customer payment delays and defaults. We cannot guarantee that all customers will settle their payments in full or on time when due. If any of our customers experience financial difficulties or become insolvent, our cash flow, financial condition, and results of operations could be materially and adversely affected. As of 31 December 2023, 2024 and 2025, our trade and bills receivables were RMB36.8 million, RMB43.3 million and RMB56.1 million, respectively, and we made provision of trade and bills receivables of RMB2.4 million, RMB3.6 million and RMB7.0 million, respectively. For the years ended 31 December 2023, 2024 and 2025, the trade and bills receivables turnover days were 71.1 days, 120.1 days and 139.8 days, respectively. While we implement credit control measures, including customer credit assessments, payment term adjustments, and active receivables monitoring, we may not be able to collect all such receivables due to a variety of factors outside our control, such as adverse operating conditions or the financial situation of customers. Legal proceedings that result from any default in payment by customers may be time-consuming and costly if we decide to claim for such payments. The increase in trade and bills receivables may lead to liquidity risk, as we may have less cash available to fund our operations, invest in research and development, or pursue strategic opportunities, which could,

in turn, impact our ability to maintain our competitive position. The increase in trade and bills receivables turnover days may necessitate the increase in our provisions for impairment of trade and bills receivables, which would directly affect our profitability. Furthermore, the market may perceive the increase in our trade and bills receivables and turnover days as an indication of potential liquidity issues or declining creditworthiness among our customer base, which could adversely affect our business. We cannot guarantee the recoverability or predict the movement of our receivables. If we fail to receive payments from our customers on a timely basis, our business, liquidity and financial condition could be materially and adversely affected.

We are exposed to risks associated with extended cash conversion cycle.

During the Track Record Period, we experienced increased inventory turnover days, which was 37.7 days, 44.6 days, and 49.7 days for the years ended 31 December 2023, 2024, and 2025, respectively. Such increase was primarily due to pre-production and inventory buildup for Customer A (a state-owned enterprise based in Shanxi Province) since 2024. This arrangement enables us to provide timely delivery services upon receiving delivery instructions from Customer A. See "Business – Inventory Management". In addition, our trade and bills receivable turnover days remained at elevated levels during the same period, at 71.1 days, 120.1 days, and 139.8 days, respectively, primarily because (i) during the Track Record Period, we had been continuously expanding our business in the public sectors such as construction and infrastructure sectors, the customer of which, primarily consisted of governmental departments, public institutions, and state-owned enterprises, which typically had longer payment cycles in accordance with their internal financial management and payment approval processes; and (ii) certain of our private sector customers were in the process of improving their overall liquidity condition slowly during the post-pandemic recovery in 2023 and 2024. See "Financial Information – Discussion of Major Consolidated Statements of Financial Position Items – Trade and bills receivables".

Our cash conversion cycle significantly increased from 85.4 days as of 31 December 2023 to 127.5 days as of 31 December 2024, and to 155.1 days as of 31 December 2025, primarily due to the increased inventory turnover days and increased trade and bills receivables turnover days. See "Financial Information – Key Financial Ratios". Although we have been diversifying our customer profile and aim to continuously improve the collection of trade and bills receivables and the turnover days by strengthening communication with customers, actively collecting and negotiating feasible repayment plans based on actual conditions, these efforts may not be successful and if our inventory turnover days and our trade and bills receivables turnover days continue to increase or remain relatively high, it may lead to a longer cash conversion cycle, which could further add pressure to our cash flow and working capital. Our financial position, business and results of operations might be adversely and materially impacted.

Fair value change of financial assets at fair value through profit or loss may affect our results of operations.

Fluctuation in fair value change of our financial assets at fair value through profit or loss may affect our results of operations, which primarily include wealth management products issued by commercial banks in China. As of the Latest Practicable Date, we had financial assets at fair value through profit or loss of RMB16.0 million. Changes in the fair value of the wealth management products are reflected in our consolidated statement of profit or loss and other comprehensive income. The methodology that we use to assess the fair value of our investments in wealth management products involves a significant degree of management judgment and is inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We operate in a highly competitive industry and may not be able to maintain our current market position against existing and potential competitors.

We operate in a highly competitive industry. According to Frost & Sullivan, the trench cover industry is highly fragmented, with over one thousand trench cover manufacturers. Most competitors are small and medium-sized enterprises with limited R&D and design capabilities. Our competitive position depends on maintaining technological leadership, operational efficiency, and compliance with evolving industry standards. Failure to compete effectively could result in declining market share and profitability. Competitors may outperform us in key areas such as product quality, technological innovation, cost efficiency, supply chain management, marketing and customer service, and compliance with increasingly stringent environmental regulations. Larger trench cover manufacturers may have greater financial resources to invest in advanced manufacturing processes, secure raw materials at lower costs, or offer more aggressive pricing, while established players could leverage stronger brand recognition and customer relationships.

If competitors intensify price competition or introduce superior products, we may be compelled to lower our prices or increase marketing and R&D spending to remain competitive, which could materially and adversely affect our business, financial condition and results of operations. There can be no assurance that we will successfully navigate these competitive pressures or sustain our current market position against existing and potential competitors in this evolving industry landscape.

Failure to retain our existing customers or attract new ones could materially and adversely affect our business, financial condition and results of operations.

To drive revenue growth and ensure long-term success, we are committed to retaining existing customers and attracting new ones to expand our customer base. However, we cannot guarantee that our current customers will continue purchasing our products or maintaining partnerships with us. Our ability to retain or attract customers depends on several factors, some of which are beyond our control, including but not limited to: (i) the competitiveness of our pricing and payment terms for customers, which may, in turn, be constrained by our available capital and financial resources and price of raw materials we source; (ii) the market acceptance of our new products, technologies, and services; (iii) our ability to continue investing in R&D to meet evolving customers' needs; (iv) mergers and acquisitions among competitors; (v) the impact of domestic and global economic conditions on the development of the composite trench cover industry; (vi) increase in our sales effort and expansion of our sales team; and (vii) expansion of our geographical coverage to overseas market.

Our products have a relatively long lifespan, which leads to low repurchase frequencies. Our customers' purchasing frequency varies based on several factors, including but not limited to their respective project cycles and financial investment plans, which are beyond our control. Therefore, we cannot guarantee that their procurement needs will remain consistent from year to year.

In addition, as our customer base grows and diversifies, it may become increasingly challenging to tailor products to specific needs and maintain high-quality customer support and maintain good relationship with our customers. This could lead to customer dissatisfaction, reduced demand for our products, and lost revenue. Failing to meet customer expectations and maintain satisfactory customers' experience may damage our reputation, further hindering our ability to retain and attract customers. In addition, any product defects, large-scale product recalls, failures accidents associated with our products, negative media coverage or unfavorable reviews from customers could also damage our reputation. If we are unable to maintain existing customers or attract new ones due to any of these factors, our business, financial condition, and results of operations could be materially and adversely affected.

Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have an adverse effect on our business, financial condition and results of operations.

Our reputation for high-quality composite trench covers has gained national recognition, and our continued success depends on our ability to maintain and enhance our brand image and reputation. The value of our brand is tied directly to the quality, design, performance, durability, functionality and innovative features of our products, and the customer services we offer. We intend to continue making investments in product development, quality control, and customer service to strengthen our brand image and reputation. However, these branding efforts require significant expenditures, particularly as we seek to expand into new markets nationally and globally where we must establish our reputation from the ground up. There can be no assurance that these investments will achieve their intended results. Failure to maintain our brand image may have an adverse impact on our business, financial condition and results of operations.

Our brand could suffer significant damage if, for example, (i) our trench covers fail to meet customers' expectations or industry standards; (ii) product defects lead to infrastructure failures or safety concerns; (iii) adverse publicity from regulatory actions or legal disputes (see "Risk Factors – We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings"); and (iv) unfavorable or negative media coverage emerges regarding our Company, Directors, shareholders, employees, our operations, or the composite materials industry generally.

Our reliance on a small group of suppliers could adversely affect our business.

We are exposed to concentration risks due to heavy reliance on a small group of suppliers. During the Track Record Period, our five largest suppliers provided 75.8%, 76.3% and 67.5% of our total purchases for the years ended 31 December 2023, 2024 and 2025, respectively, with our single largest supplier accounting for 42.6%, 41.9% and 20.9% of our total purchases in the respective years. While we believe that we have stable relationships with our existing suppliers, the above risks and their operational stability remains beyond our control.

We expect to continue procuring raw materials from these suppliers. In particular, we require a consistent supply of unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand, calcium carbonate and other raw materials from our suppliers. Any difficulties in procuring these raw materials, may impact our ability to promptly deliver products to our customers, which could lead to a loss of our competitive advantage and existing customer base.

We believe that we have stable relationships with our existing suppliers. However, the stability of operations and business strategies of our suppliers are beyond our control, and we cannot assure you that we will be able to secure a stable relationship with such suppliers. If any of our major suppliers terminates its business relationship with us, we may encounter difficulties in finding a replacement that can provide alternative products and on terms acceptable to us. If this occurs, our business, financial condition, and results of operations may be adversely affected.

Our success depends in part on our ability to maintain and/or enhance our manufacturing capabilities and to produce high quality products in response to the market trend.

Our ability to maintain and enhance manufacturing capabilities is critical to our success in the composite trench cover market. We are committed to continually expanding our production capacity, improving efficiency, and adapting production lines to meet evolving product demands. Failure to do so could prevent us from reaching optimal economies of scale in our operations, reducing manufacturing costs to maintain cost competitiveness against traditional materials, and jeopardize our market position. Our ability and efforts to maintain and/or enhance our manufacturing capabilities are subject to significant risks and uncertainties, including: (i) our ability to secure adequate funding for capital investments and working capital needs, with no

guarantee of obtaining favorable terms; (ii) operational risks such as (i) cost overruns from raw material price volatility or other factors beyond our control, (ii) unexpected production and delivery delays, such as logistics disruptions or equipment failures, (iii) labor shortages and supply chain disruptions; (iv) our ability to obtain or renew the required permits, licences and approvals from the relevant government authorities; (v) availability of the necessary technology or equipment from third parties or our internal research and development department; and (vi) external factors such as natural disasters or other unforeseen events causing manufacturing interruption.

Our plan to enhance our manufacturing capabilities and efficiency includes the deployment of product line for resin-based composite products embedded with carbon fiber as reinforcing materials, and investment in intelligent molding and shaping equipment. These may not be completed in time or within budget. Any material delay in these projects or any substantial increase in costs or quality issues in connection with these projects could materially and adversely affect our business, financial condition and results of operations, and result in a loss of business opportunities.

We may not be successful in implementing our business plans and strategies effectively or at all, which could materially and adversely affect our business, financial condition and results of operations. We are subject to the risks involved in expanding into new markets and the expansion of product lines.

Our future revenue and profit growth partially depend on successfully expanding into new markets and launching innovative products. Our plan involves tapping into advanced composite materials and evolving our product portfolio to incorporate glass fibers and carbon fibers as reinforcing materials, expanding into the new energy new infrastructure and low-altitude economy industries, and implementing smart infrastructure. These initiatives typically require significant upfront R&D investments. The successful implementation of these strategic plans depends on several factors, including but not limited to the incorporation of production line for resin-based composite products embedded with carbon fiber as reinforcing materials, market acceptance of technologies and innovative products, competition from established players, changes in regulatory requirements, market condition or demand and supply chain stability, and some of these are beyond our control. In addition, our R&D and operating costs are expected to increase upon the implementation of the upgrade and expansion plan, such as repair and maintenance costs, annual depreciation expenses and staff costs. Such uncertainties and contingencies may lead to postponement of our future plans or may increase the costs of implementation.

If our plan does not yield substantial sales returns, or if we cannot effectively manage these expansion efforts, our business, operational performance and financial condition may be adversely affected. In addition, we are subject to risks in connection with the expansion and development of new businesses or product lines with which we have limited or no experience or entering into markets in which our brand may be less recognized.

Our products may have defects, fail to meet performance standards or cause product liability incidents during use, which could affect our reputation and customer relationships.

Our products may expose us to potential product liability claims if they fail to perform as expected, or are proven to be defective, or if their use causes, results in, or is alleged to have caused or resulted in personal injuries, project delays or damages or other adverse effects. If our products do not meet regulatory or industry requirements or requested by our customers, we may be subject to product liability claims or litigation. We cannot guarantee that no product liability claim will arise in the future. Any such claim, regardless of whether relating to personal injuries, project delays or damages, or related regulatory actions could prove costly and time-consuming to defend and could potentially harm our brand reputation and our relationship with our customers.

While we maintain stringent supplier management systems and quality controls, we still face risks from defective raw materials and cannot rule out that product defects may result from poor-quality or substandard materials used in production. Our suppliers may refuse to fully compensate us or provide any indemnification to cover damages resulting from product liability claims. Any product liability claim, may result in significant negative publicity and thus adversely affect the marketability of our products and our reputation, our relationship with customers, and our business, financial condition and results of operations.

We may be subject to risks involving personal safety, property loss and operational disruption in the course of our production and operation processes.

Our manufacturing operations involve inherent safety risks and hazardous activities, as we work with heavy machinery, handling composite materials, and high-temperature molding equipment to produce composite trench covers. We maintain strict safety protocols that comply with all applicable regulations and require employees to complete regular safety training. However, despite these precautions, we cannot eliminate all risk of workplace accidents occurring during production.

The consequences of any safety incident could be significant, potentially resulting in personal injuries, damage to property and equipment, operational disruptions, regulatory penalties, and civil or criminal liabilities. In addition, although we have implemented necessary measures to safeguard production and operational safety, we cannot guarantee that workplace accidents will not occur. In the event of an accident, we could be subject to penalties and third-party liability claims. While we did not incur any material administrative penalties for safety non-compliance during the Track Record Period, a failure to prevent such liabilities in the future could result in significant costs. These costs could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, any such incident may also generate negative publicity, potentially harming our reputation.

Failure to comply with PRC property-related laws and regulations regarding certain of our owned properties, which may affect our business operations.

As of the Latest Practicable Date, we had not obtained a building ownership certificate with respect to our owned property in Zibo City, Shandong Province with an aggregate site area of 1999.17 sq.m. which we used as storage shed, temporary hazardous waste storage, temporary garage, restrooms and showers, and guardhouse. We had not obtained the building ownership certificate primarily because of our failure to obtain the competent authorities' permits in a timely manner. See "Business – Property – Defective title of our owned property". As a result, our rights to the building may be limited or challenged by relevant competent authorities. We may also be subject to administrative fines or other penalties, and there is a risk of mandatory building remediation or demolition, all of which may affect our business operations, divert management attention and other resources, and incur significant costs to rectify such non-compliance.

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

As of the Latest Practicable Date, we had not completed property leasing registration and filing formalities with the relevant competent authorities for our leased property in Xi'An City, Shaanxi Province. See "Business – Leased Property". As advised by our PRC Legal Adviser, according to the applicable PRC Law, the non-registration would not affect the validity of these lease agreements, however we may be required by the relevant authorities in China to register the relevant lease agreements within a prescribed time limit. We may also face administrative penalties ranging from RMB1,000 to RMB10,000. While no authorities have yet ordered us to register the lease agreement, we cannot guarantee we will not be required to do so in the future. As of the Latest Practicable Date, we had not been ordered to register the lease agreements or fined by the relevant authorities in China with respect to such lease agreements.

Any deterioration in labor relations, shortage of labor or significant increase in wages may have a material adverse effect on our business, financial condition and results of operations.

Our success relies on our ability to attract, retain and motivate qualified and skilled personnel. With a portion of our workforce represented by labor unions, we may face additional complexities in labor relations. While we have not historically experienced material deterioration in labor relations, work stoppages or labor strikes, or significant increases in wages, any such events could materially and adversely affect our business, financial condition and results of operations. For example, unionized employees may engage in strikes or work stoppages if contract negotiations fail, causing operational disruptions; or collective bargaining employment contracts could mandate significant wage increases or benefits that outpace market trends, thereby increasing our labor costs. In such circumstances, we may be compelled to accept higher labor costs or enhance total compensation packages to attract and retain the key personnel. However, the competitive market conditions may prevent us from passing these increased costs on to our customers by increasing the selling price of our products, which would compress our profit margins and adversely impact our financial condition. While we proactively engage with unions, we cannot assure you that such events will not occur in the future or that we will consistently maintain stable labor relations with our employees.

We are required to obtain, maintain and renew various approvals, permits, licenses, registration and certificates for our business operations, and there is uncertainty concerning potential delays or changes in standards associated with these processes.

We are required to maintain certain permits, licenses, registrations and certificates issued by the relevant government authorities in China in which we operate to conduct our business operations. For example, we are required to obtain pollutant discharge permit. While we believe that we will be able to renew these licenses and permits during the ordinary course of business, there is no assurance that we will be able to renew our existing approvals, permits, licenses, registrations and certificates without any condition or that we will be able to successfully obtain, retain or renew future permits, licenses, registrations and certificates in a timely manner, or at all, or that such permits, licenses, registrations and certificates will not be revoked by the relevant authorities. Failure to obtain or renew such permits, licenses, registrations and certificates as planned may cause us to experience delays in the sales and manufacturing of our composite trench cover products or our expansion plans, thereby adversely affecting our business, financial condition and results of operations.

Our success depends heavily on key management and other highly qualified personnel with specialized skills.

Our success depends heavily on the continued service of our management team and highly qualified personnel with specialized skills. Our ability to compete effectively depends on our ability to retain and motivate existing employees and attract new employees. To achieve this, we may need to offer competitive compensation packages and other benefits to attract and retain key personnel which may increase our compensation and benefits payments unexpectedly or at a greater rate than expected. If we lose the services of any member of management or qualified personnel, we may not be able to locate suitable or qualified replacements in a timely manner at reasonable cost, or at all. Failure to attract and retain key management or qualified personnel and any increase in employee compensation to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business and may have a material adverse effect on our business, financial condition and results of operations.

Our key management and employees are subject to confidentiality terms and noncompete arrangements. However, we cannot guarantee that such terms or arrangements can be fully and legally enforced. If any member of management or qualified personnel joins or establishes a competing business, we may lose valuable trade secrets and customer relationships, which may have a material adverse effect on our business, financial condition and results of operations.

If we fail to effectively manage our inventory, our business, financial condition and results of operations may be adversely affected.

Our inventory primarily includes raw materials, work-in-progress and finished goods. As of 31 December 2023, 2024 and 2025, we had inventories of RMB9.2 million, RMB11.1 million and RMB13.4 million, respectively. Our inventory turnover days for the same periods were 37.7 days, 44.6 days, and 49.7 days, respectively. The increase in our inventory turnover days during the Track Record Period was primarily attributable to our strategic stockpiling for upcoming production and the year-end accumulation of finished goods pending delivery based on customers' instructions. As our business expands, our inventory obsolescence risk may also increase commensurately with the increase in our inventories and our inventory turnover days. Effective inventory management is critical to the success of our business. We determine our level of inventory based on our historical order patterns, number of orders from customers and assessment of customer demand. While this approach helps minimize excess inventory, we cannot guarantee that we can succeed in managing our inventory risk. For example, inventory obsolescence from sudden changes in customer needs or unsuccessful product launches, production capacity strains from unexpected demand surges or urgent orders, and scheduling complexities can lead to significant operational challenges when handling both regular and rush orders simultaneously. If we underestimate demand or receive unanticipated urgent orders, we may experience production bottlenecks, face delays in product delivery, incur higher costs for expedited material procurement from suppliers or damage customer relationships due to missed deadlines. Any of the above could damage our reputation and may materially and adversely affect our business, financial condition and results of operations.

We are subject to certain regulatory requirements over foreign currency conversion and remittance and the fluctuations in foreign currency exchange rates could adversely affect our business.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate we shall have sufficient foreign exchange to meet our foreign exchange needs. Under existing PRC foreign exchange regulations, payments of current account items, including the payment of dividends, interest payments, and expenditures from the transaction, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

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

The PRC EIT Law imposes an EIT rate of 25% on resident business enterprises. We and some of our subsidiaries are entitled to preferential tax treatment. To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, value-added and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our business, financial condition and results of operations.

We may need additional capital, but we may not be able to obtain financing on favorable terms or at all.

During the Track Record Period, our business operations were primarily funded through cash flow generated from operating and financing activities. Based on the **[REDACTED]** from **[REDACTED]**, along with our available financial resources, including our cash and cash equivalents and operating cash flows, our Directors are of the view that we have sufficient

working capital to meet our present requirements and for the next 12 months from the date of this document. However, we may require additional cash resources in response to changing business conditions or other future developments, such as the launch of new products or services, entry into new business areas or geographic markets, R&D efforts, marketing initiatives, or strategic investments. If we fail to generate sufficient cash flow from operating activities, we may need to seek additional equity or debt financing. If such financing is not available on satisfactory terms or in a timely manner, our ability to operate, expand, or compete effectively could be adversely affected. Furthermore, any issuance of shares or equity-convertible securities to raise capital may dilute the ownership of our existing Shareholders. Additionally, incurring indebtedness may subject us to covenants that restrict certain operational and corporate decisions, and require scheduled interest and principal payments that could increase financial risk and strain our cash flow.

We may infringe intellectual property rights of third parties, which can lead to time-consuming and costly intellectual property infringement claims.

We may, from time to time, be subject to legal proceedings and claims relating to the intellectual property rights of third parties. Our operations, business and products may infringe upon trademarks, patents, copyrights, know-how, domain names, or other intellectual property rights held by third parties without our knowledge. There could also be existing intellectual property rights of which we are not aware that our products may inadvertently infringe upon. If legal proceedings and claims are brought against us, we may be required to divert management attention and financial resources from our normal operations to defend these claims, regardless of their merits. Such legal proceedings could be time-consuming and costly to defend, potentially resulting in significant legal expenses and operational disruptions. Successful claims may result in financial liabilities for past infringement, court-ordered injunctions against continued use and licensing fees, which may have a material adverse impact on our business, financial condition and results of operations. During the Track Record Period, we were not involved in any material disputes or legal proceedings regarding infringement of any third-party intellectual property rights. However, we cannot assure you that in the future, we will not be threatened or sued upon in relation to intellectual property rights of others.

We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.

We rely on a combination of patent, copyright, know-how, trade secret and domain name, and other intellectual property laws in China to protect our intellectual property rights. As of the Latest Practicable Date, we had 69 registered patents, 30 registered copyrights, eight trademarks in China, one trademark in Hong Kong, and four registered domain names. Despite these measures, we cannot guarantee that they provide complete protection against third-party infringement of our intellectual properties.

We cannot assure you of the successful renewal our trademark registrations upon expiration or the continued validity and enforceability of our registered trademarks. Failure to maintain these trademarks could result in loss of rights to use these trademarks in our business operations, prohibition against manufacturing or selling products under these trademarks, and adversely affect our business, financial condition, and results of operations. Furthermore, delays or failures in registration of trademarks could also harm our brand, disrupt our product offerings, and erode consumer trust, which in turn damage our reputation and materially and adversely affect our business, financial condition, and results of operations.

Additionally, we cannot guarantee that we will be able to prevent third parties from infringing upon our intellectual property rights. Any unauthorized use of our intellectual property could adversely harm our brand and reputation. We may face challenges detecting and monitoring all infringement cases, and may, from time to time, bring legal proceedings and claims in the event of successful detection of infringement to enforce our intellectual property rights. However, such enforcement processes often prove time-consuming and costly, and may

potentially result in significant legal expenses and bring operational disruptions, which may adversely affect our business, financial condition and results of operations.

Discontinuation of any government grants or preferential tax treatments or other unfavorable changes in tax law could result in additional compliance obligations and costs.

We received government grants and preferential tax treatment under relevant preferential tax policies during the Track Record Period. As of 31 December 2023, 2024, and 2025, we recognized income from government grants of RMB0.6 million, RMB0.9 million and RMB0.8 million, respectively. See "Financial Information – Principal Components of Results of Operations – Other gains and losses".

However, we may not be able to continue to enjoy similar government grants and preferential tax treatment in the future as they are non-recurring in nature. The discontinuation of any of our government grants or current tax treatments could adversely impact our net income and materially increase our tax obligations. Government grants and preferential tax treatments are subject to review of authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants and preferential tax treatments to which we and certain of our subsidiaries are currently entitled would be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect.

Our business and financial performance may be affected by seasonality.

Our business and financial performance may be affected by seasonality. We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. Historically, we have recorded higher revenue in the third and fourth quarter of the year, while experiencing weaker financial performance in the first quarter of the year. This is primarily attributable to the measurable slowdown in construction activities in the northern regions due to winter conditions, such as project delays due to frozen ground conditions or work stoppages resulting from extreme temperatures and procurement postponements. Our historical patterns should not be construed as a reliable indicator of our future financial results and performance. See "Financial Information – Major Factors Affecting Our Financial Condition and Results of Operations – Seasonality".

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings in the ordinary course of business, related to, among other things, product liability, contractual disputes, labor matters, alleged violations of laws or regulations, torts, or third-party liabilities initiated by customers, suppliers, competitors, employees, or government or regulatory authorities. Any such claims, allegations or disputes, regardless of merits, could significantly damage our reputation, affect the trading price of our H Shares and substantially divert management's attention from daily operations. The costs associated with defending such matters could be substantial, and the management of these incidents may require significant time and resources. Furthermore, our insurance coverage may not cover certain claims brought against us, provide sufficient payments to financially cover all of the costs to resolve such claims, or continue to be available on terms acceptable to us.

Our business operations are subject to risks relating to ESG.

With the rising awareness of ESG issues, including with respect to waste disposal, greenhouse gas emissions and environmental protection, more stringent laws and regulations that affect our business operations may be adopted. Increased regulatory costs, environmental remediation expenses and fines or penalties may result in an increase in our capital investment and operating expenses. Furthermore, with the growing environmental and energy-saving

awareness by customers, regulators and other stakeholders, many jurisdictions are imposing increasingly strict energy efficiency and exhaust emissions regulations. Accordingly, we may need to devote more effort and resources to conduct business under such laws or regulations. See "Business – Environmental, Social and Governance." There can be no assurance that these measures can effectively help us to navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our regulatory costs, and accordingly may have an adverse impact on our business, financial condition and results of operations.

Our risk management and internal control systems may not be adequate or effective.

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance to monitor the ongoing implementation of our risk management policies and corporate governance measures. See "Business – Risk Management and Internal Control". While we continuously strive to enhance our risk management and internal control frameworks from time to time, we cannot guarantee their ongoing adequacy to meet our evolving business requirements, nor can we ensure that all employees will consistently comply with established procedures. Our controls depend on proper execution by employees, whose adherence may be inconsistent or subject to human error and we may fail to promptly update or modify controls in response to changing business conditions. Our business, financial condition and results of operations may be materially and adversely affected if we fail to maintain and update appropriate risk management systems.

The insurance coverage we have may not adequately protect us against all operating risks.

Our insurance coverage for products, operations, and properties and assets remains subject to limitations and exclusions and may not fully protect against all potential risks. Significant uninsured events include, but are not limited to, operating disruptions in our production facilities, natural disasters, equipment failures, or material litigation or disputes. Such events could have a material and adverse effect on our business, financial condition and results of operations. We cannot guarantee that our claims will always be successful or that claims will be paid under our current insurance policy promptly or in full, if at all. In the event of any substantial uninsured losses under our insurance policies or the compensation significantly below actual damages and losses, our business, financial condition and results of operations could be materially and adversely affected. While we regularly assess our insurance needs, no insurance coverage can eliminate all operational risks.

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

We are a company incorporated under the laws of the PRC and the majority of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, the service of process, investigation, collection of evidence, ratification and enforcement procedure inside China should follow the rules set forth in the Civil Procedure Law of the People's Republic of China as well as other applicable laws, regulations and interpretations. Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the **[REDACTED]** of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

We are subject to anti-corruption, anti-bribery and anti-money laundering laws and regulations, and non-compliance with such laws can subject us to regulatory investigations, administrative penalties, civil or criminal liabilities, significant legal expenses, reputational harm, and operational disruption, all of which could adversely affect our business, financial condition and results of operations.

With our principal business operating in China, we are subject to relevant PRC anti-corruption, anti-bribery and anti-money laundering laws and regulations. We have implemented anti-bribery, anti-corruption and anti-money laundering policies and internal policies that apply not only to our directors and employees, but also extend to our suppliers, and other business partners. However, we cannot guarantee that these measures will always prevent violations, as improper conduct could still occur despite our compliance efforts. In addition, we cannot assure you that every individual will strictly follow these policies at all times. Any non-compliance with anti-corruption, anti-bribery or anti-money laundering laws and regulations could trigger regulatory investigations, administrative penalties, civil or criminal liabilities, significant legal costs, reputational harm, and operational disruption, all of which could materially and adversely affect our business, financial condition and results of operations.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, or other external events beyond our control, could have a material adverse effect on our business, financial condition and results of operations.

Our business operations face risks from various external events that are beyond our control. These risks primarily fall into three categories that could materially and adversely impact our business. First, we are exposed to natural disasters including fires, floods, earthquakes, typhoons, and snowstorms. Such environmental hazards could severely disrupt our operational continuity, potentially causing facility damage, production stoppages, and inventory losses. Second, widespread pandemics or outbreaks such as COVID-19, monkeypox, avian influenza, or Ebola pose another threat to our operations as they could lead to workforce shortages, supply chain interruptions, and reduced economic activity. The lingering effects of recent global pandemics have demonstrated how quickly such health crises can escalate into full-scale business disruptions. Third, we face risks from other external events including wars, power outages, telecommunications failures, terrorist attacks, and civil unrest. These unpredictable crises could impair our operations through direct damage to our properties and assets or restrictions on workforce mobility.

Our production facilities and information systems remain especially vulnerable to some of these threats. Natural disasters could cause physical damage to our equipment and properties, while power or telecommunications failures could disrupt critical operational systems. Such incidents could lead to operational interruptions, production and delivery delays, system failures and inventory losses. Any occurrence of such events would materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in economic, regulatory, political and social conditions could have a material effect on our results of operations, financial performance and business prospects.

We are headquartered in Shandong Province, China and our operations are based in China. Accordingly, our results of operations, financial performance and business prospects may be influenced by the economic, regulatory, political and social conditions in China. The government has implemented, and may continue to introduce, policies and measures to regulate infrastructure development, environmental standards, and urban development plans, which could directly impact demand for our composite trench covers. In addition, the evolving standards for trench covers in China may require us to adapt our products and manufacturing process. The costs associated with testing, certification, and potential re-engineering to meet new national and industry standards could be substantial and impact our profitability. Any changes in China's

economic conditions, political and social conditions could materially affect our operations, financial performance, growth prospects, and competitive position. Despite our ongoing monitoring of policy developments, we may not be able to keep pace with regulatory changes.

Our operations in China are governed by PRC laws and regulations.

Our operations in China are governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. The guiding cases issued by the Supreme People's Court have judicial reference and guidance functions but have no binding force.

There has been remarkable progress in improving the PRC legal system, including promulgating laws and regulations related to economic affairs and matters, among others. However, many of these laws and regulations are relatively new, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and adverse impact on our business. We are required to timely respond to and fit in the regulatory environment in China, otherwise our business could be materially affected, and our ability to continue our operations could be impeded.

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

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

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar, and other currencies is subject to fluctuations and changes that result from various factors, including economic and political developments of the domestic and international societies, and supply and demand in the local market. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate gradually in value against the Hong Kong dollar, the U.S. dollar, or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently anchored. The Renminbi may also be allowed to be exchanged freely with U.S. dollar and/or other foreign currencies, which may also result in a significant appreciation or depreciation against the U.S. dollar or other foreign currencies. We cannot assure you that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

During the Track Record Period, substantially all of our revenue, liabilities and assets were all denominated in Renminbi, while the **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, material fluctuations in the exchange rate of the RMB against the HKD may negatively impact the value and amount of any dividends payable on our Shares. For example, significant appreciation of the RMB against the HKD could reduce the amount of

RMB received from converting **[REDACTED]** proceeds or proceeds from future financing efforts to fund our operations. Conversely, significant depreciation of the RMB may increase the cost of converting our RMB-denominated cash flow into HKD, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations. These uncertainties could significantly impact our business, financial condition, results of operations and future prospects.

We are subject to the currency exchange regulatory system.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our results of operations, financial performance and business prospects.

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

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated 6 November 2008, issued by the STA, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國税函[2011]348號) dated 28 June 2011, issued by the STA, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular of the MOF and the STA Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家税務總局關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF of the PRC and the STA on 30 March 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED] AND THE H SHARES

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

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

There has been no prior [REDACTED] for our H Shares, and if an active [REDACTED] for our H Shares does not develop, the [REDACTED] and liquidity of our H Shares may be adversely affected. [REDACTED] of our Non-H Shares on the NEEQ may not be indicative of our H Shares.

No **[REDACTED]** currently exists for our H Shares. The initial **[REDACTED]** for our H Shares to the public will be the result of negotiations between our Company, the **[REDACTED]** and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the **[REDACTED]** of the Shares following the **[REDACTED]**. We have applied to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares. A **[REDACTED]** on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the **[REDACTED]** of the H Shares will not decline following the **[REDACTED]**.

In addition, the trading price and trading volume of our H Shares may fluctuate materially and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations in our results of operations;
- unexpected business interruptions;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- changes in laws and regulations in the PRC;
- developments in the PRC's composite trench cover market;
- changes in pricing made by us or our competitors;
- changes in **[REDACTED]** perception of us and the investment environment generally;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our H Shares;
- major changes in our key personnel or senior management;
- release or expiry of lock-up or other transfer restrictions on our H Shares;
- sales or anticipated sales of additional H Shares; and
- political, economic, financial and social conditions.

Our Non-H Shares are currently listed on NEEQ. The historic and future **[REDACTED]** of Non-H Shares on NEEQ may not be indicative of the performance of our H Shares after the **[REDACTED]** due to different characteristics of the PRC capital markets and the Hong Kong capital market.

The price and trading volume of our H Shares may be volatile, which could materially and adversely affect the [REDACTED] of our H Shares.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material and adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The **[REDACTED]** of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

There is no assurance that we will pay dividends in the future.

We have declared dividends in the past. The declaration, payment and amount of any future dividends (if any) will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. See "Financial Information – Dividends and Dividend Policy". There can be no assurance that dividends of any amount will be declared or distributed in the future.

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution. To expand our business, we may consider offering and issuing additional shares in the future. Purchasers of the **[REDACTED]** may experience dilution in the net tangible asset value per Share of their Shares if we issue additional shares in the future at a price that is lower than the net tangible asset value per Share at that time.

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

Our Controlling Shareholders have significant influence over our operations and business strategies, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

Certain facts, forecasts and statistics derived from external sources contained in this document may not be reliable and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this document, particularly those relating to the general economy and the industry in which we operate, from information provided by various public sources, industry associations, independent research institutes and other third-party sources, including the Frost & Sullivan Report that we commissioned. We have not independently verified information and statistics from official government sources. While we have taken reasonable care in the reproduction of the information, we cannot assure you as to the accuracy and reliability of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and

other data problems, the statistics herein may be inaccurate. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics. Market opportunity estimates included in this document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time and there is no guarantee that our market opportunity estimates will materialize in customers using our products and services as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

Forward-looking information is subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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

We strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry and the **[REDACTED]**. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the **[REDACTED]**. There may be additional press and media coverage regarding us, our business, our industry and the **[REDACTED]** subsequent to the date of this document but prior to the completion of the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the **[REDACTED]** has authorized the disclosure of any such information in the press or media coverage and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it, and you should not rely on such information.

In preparation for the **[REDACTED]**, we have sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules:

JOINT COMPANY SECRETARIES

Pursuant to Rules 5.14 and 11.07(2) of the GEM Listing Rules, an issuer is required to appoint a company secretary who satisfies Rule 5.14 of the GEM Listing Rules. Rule 5.14 of the GEM Listing Rules provides that an issuer must appoint as its company secretary 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 company secretary.

Note 1 to Rule 5.14 of the GEM Listing Rules provides that 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)).

In addition, pursuant to Note 2 to Rule 5.14 of the GEM Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he or she played; (ii) familiarity with the GEM Listing Rules and other relevant law and regulations including the SFO, 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 of taking not less than 15 hours of relevant professional training in each financial year under Rule 5.15 of the GEM Listing Rules; and (iv) professional qualifications in other jurisdictions.

Paragraph 13 of Chapter 3.10 of the Guide provides that the Stock Exchange has granted waivers to issuers proposing to appoint a company secretary who does not have the qualification and experience required under Rule 5.14 of the GEM Listing Rules for a specified period. In considering waiver applications under Rule 5.14 of the GEM Listing Rules, it will consider, among others: (i) whether the issuer has principal business activities primarily outside Hong Kong; (ii) whether the issuer is able to demonstrate the need to appoint a person who does not have the acceptable qualification or "relevant experience" as a company secretary; and (iii) why the directors consider the proposed company secretary to be suitable to act as the issuer's company secretary.

The Stock Exchange stated that a waiver under Rule 5.14 of the GEM Listing Rules, if granted, will be for a fixed period of time (the "**Waiver Period**") subject to the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 5.14 of the GEM Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver will be revoked if there are material breaches of the GEM Listing Rules by the issuer.

Further, the length of the Waiver Period will depend on the following factors but in any case, will not exceed three years as the proposed company secretary is expected to have acquired the relevant experience required under Rule 5.14 of the GEM Listing Rules within such period: (i) the proposed company secretary's experience in handling company secretarial matters and his/her relevant professional qualifications and/or academic background; (ii) the measures and systems in place to facilitate the proposed company secretary in discharging his/her duties as a company secretary; and (iii) the issuer's regulatory compliance and/or material deficiencies/weaknesses in internal controls.

We have appointed Mr. Li Dong (李東) and Mr. Yang Lei (楊雷) as joint company secretaries to jointly discharge the duties and responsibilities as our joint company secretaries with reference to their past experience, qualifications and work experience. For further details

about the qualifications and experience of Mr. Li and Mr. Yang, please see "Directors, Supervisors and Senior Management" in this document.

Mr. Li joined our Company since February 2021 and has gained a good and thorough understanding of the internal administration and business operation of our Company. By virtue of Mr. Li's past work experience and understanding of our Company, we believe that he is capable of discharging the duties as a joint company secretary and hence a suitable person to act as one.

Since Mr. Li does not possess full qualifications as required under Rule 5.14 of the GEM Listing Rules, we have appointed Mr. Yang as one of our joint company secretaries and to provide support and assistance to Mr. Li in order to enable him to acquire the relevant experience as required under Rule 5.14 of the GEM Listing Rules and to duly discharge the functions of a company secretary. Mr. Li will be assisted and will enjoy the resources and expertise of Mr. Yang as a joint company secretary.

Mr. Yang, as a qualified solicitor in Hong Kong, satisfies the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules.

As such, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 5.14 and 11.07(2) of the GEM Listing Rules and the following arrangements have been made to satisfy those requirements:

- we engage Mr. Yang, who possesses all the requisite qualifications required under Note 1 to Rule 5.14 of the GEM Listing Rules, as a joint company secretary for an initial period of three years commencing from the **[REDACTED]**, to work closely with and to assist Mr. Li in discharging his duties as a company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 5.14 of the GEM Listing Rules;

- pursuant to Rule 5.15 of the GEM Listing Rules, each of Mr. Li and Mr. Yang will attend in each financial year no less than 15 hours of relevant professional training courses to familiarise themselves with the requirements of the GEM Listing Rules and other Hong Kong regulatory requirements;

- we will also appoint Zhongtai International Capital Limited as compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules, which will act as our additional channel of communication with the Stock Exchange, and provide professional guidance and advice to us and our joint company secretaries as to compliance with the GEM Listing Rules and all other applicable laws and regulations;

- before expiry of the three-year period, we will re-evaluate Mr. Li's experience in order to determine whether he satisfies the requirements as stipulated under Rules 5.14 and 11.07(2) of the GEM Listing Rules;

- if Mr. Yang ceases to provide assistance to Mr. Li, the waiver will be revoked by the Stock Exchange with immediate effect;

- before the end of the three-year period as mentioned above, we shall demonstrate and seek the confirmation from the Stock Exchange that Mr. Li, having had the benefit of the assistance of Mr. Yang for three years, would have acquired the relevant experience within the meaning of Rule 5.14 of the GEM Listing Rules so that a further waiver would not be necessary; and

- the waiver will be revoked if there are material breaches of the GEM Listing Rules by our Company.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Liu Zhentao (劉振韜)	Flat 101, Unit 1, Block 19 Zhongrun Avenue Zhangdian District, Zibo City Shandong Province, PRC	Chinese
Ms. Li Xiaoyan (李曉燕)	Flat 101, Unit 1, Block 19 Zhongrun Avenue Zhangdian District, Zibo City Shandong Province, PRC	Chinese
Mr. Li Dong (李東)	Flat 202, Unit 3, Block 36 Nanjia Community Zhangdian District, Zibo City Shandong Province, PRC	Chinese
Ms. Sun Ailing (孫愛玲)	Flat 502, Unit 1, Block 8 Wenxing Garden Century Garden, China Unicom Road Zhangdian District, Zibo City Shandong Province, PRC	Chinese
Ms. Fan Hongyan (範洪燕)	Flat 202, Unit 4, Block 50 Gongqingtuan East Road Zhangdian District, Zibo City Shandong Province, PRC	Chinese
Independent Non-executive Directors		
Mr. Leung Ka Wai (梁嘉偉)	Flat F, 32/F, Tower 1A Wings at Sea, Lohas Park Tseung Kwan O New Territories, Hong Kong	Chinese
Mr. Wu Yingpeng (吳英鵬)	Flat E, 27/F, Tower 5 Island Harbourview Tai Kok Tsui Kowloon, Hong Kong	Chinese
Mr. Ji Hongwei (籍洪偉)	Flat 1101, Unit 1, Block 10 Greentown Lily Garden Lixia District, Jinan City Shandong Province, PRC	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Ms. Fan Wenjing (範文婧)	Flat 201, Unit 4, Block 12 Liyuan Community High-tech Zone, Zibo City Shandong Province, PRC	Chinese
Mr. Yang Dawei (楊大偉)	Flat 201, Unit 3, Block 12 Yindu Garden Tiyuchang Street, Zhangdian District Shandong Province, PRC	Chinese
Mr. Zhang Jicheng (張吉成)	Flat 601, Unit 1, Block 13 Qisheng Garden Zhangdian District Shandong Province, PRC	Chinese

Further information about the Directors, supervisors and other senior management members are set out in the section headed "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Zhongtai International Capital Limited
19/F
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Legal Advisers to our Company	*As to Hong Kong law* **Patrick Mak & Tse** Rooms 901–905 9/F, Wing On Centre 111 Connaught Road Central Hong Kong *As to PRC law* **Beijing Yingke Law Firm** 19–25/F, Tower 2 CP Center 20 Jinhe East Road Chaoyang District Beijing PRC
Legal Advisers to the Sole Sponsor and the [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* **Tian Yuan Law Firm** 5/F, Tower A Corporate Square 35 Financial Street Xicheng District, Beijing China

Reporting Accountants and Auditor	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8/F, Prince's Building 10 Chater Road, Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504–2505 Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai PRC
Property Valuer	**AP Appraisal Limited** 21/F, Grand Millennium Plaza 181 Queen's Road Central, Sheung Wan Hong Kong
Compliance Adviser	**Zhongtai International Capital Limited** 19/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office and headquarters in the PRC	New Material Zone, 9 He Zhuang Zibo Economic Development Zone Shandong Province, PRC
Principal place of business in Hong Kong	Rooms 901–905 9/F, Wing On Centre 111 Connaught Road Central Hong Kong
Company's website	**www.baogai.net** (the information contained on the website does not form part of this document)
Joint Company Secretaries	**Mr. Li Dong (李東)** New Material Zone, 9 He Zhuang Zibo Economic Development Zone Shandong Province, PRC **Mr. Yang Lei (楊雷)** Rooms 901–905 9/F, Wing On Centre 111 Connaught Road Central Hong Kong
Authorised Representatives	**Mr. Li Dong (李東)** New Material Zone, 9 He Zhuang Zibo Economic Development Zone Shandong Province, PRC **Mr. Yang Lei (楊雷)** Rooms 901–905 9/F, Wing On Centre 111 Connaught Road Central Hong Kong
Audit Committee	Mr. Leung Ka Wai (梁嘉偉) *(Chairman)* Mr. Wu Yingpeng (吳英鵬) Mr. Ji Hongwei (籍洪偉)
Remuneration Committee	Mr. Wu Yingpeng (吳英鵬) *(Chairman)* Ms. Li Xiaoyan (李曉燕) Mr. Ji Hongwei (籍洪偉)
Nomination Committee	Mr. Liu Zhentao (劉振韜) *(Chairman)* Ms. Li Xiaoyan (李曉燕) Mr. Wu Yingpeng (吳英鵬) Mr. Leung Ka Wai (梁嘉偉) Mr. Ji Hongwei (籍洪偉)

[REDACTED]

Principal Banks

Bank of China Zibo West Fifth Road Branch
1st Floor, Hexiangyuan Office Building
at the intersection of Zhongrun Avenue
and Xiwu Road
High-tech Zone, Zibo
Shandong, PRC

China Merchants Bank Co., Ltd Zibo Branch
No. 12 Renmin West Road
Zhangdian District
Zibo City
Shandong, PRC

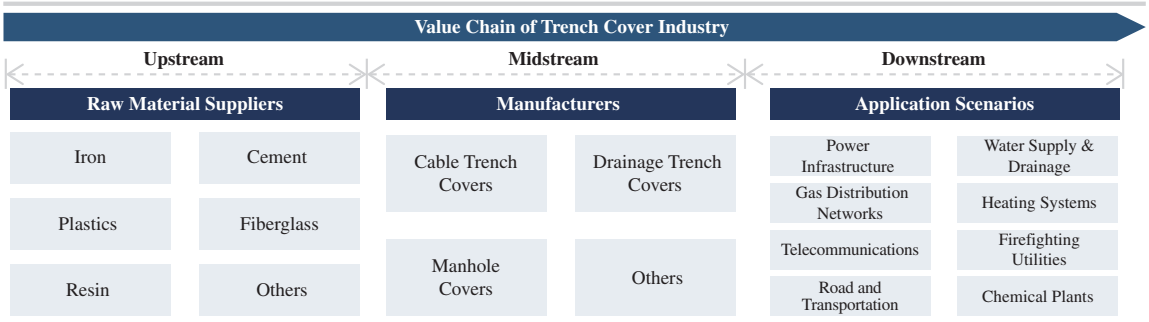
The information and statistics set out in this section and other sections of this document were extracted from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the **[REDACTED]**. *In addition, certain information is based on, derived or extracted from, among other sources, publications of different government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, **[REDACTED]**, *or any of their respective directors, advisers and affiliates, or any other person or parties involved in the* **[REDACTED]**, *and no representation is given as to their accuracy.*

OVERVIEW OF OVERALL TRENCH COVER INDUSTRY IN THE PRC

Definition of Trench Covers

Trench covers serve as protective barriers for ground-level ducts, cable trenches, and utility shafts, ensuring safety, load distribution, and environmental durability. Driven by infrastructure expansion and material innovation (e.g., composites replacing concrete and cast iron), the market is evolving toward lightweight, corrosion-resistant solutions, with smart covers emerging as a key future trend. According to the functional application scenarios, trench covers can be divided into cable trench covers, drainage trench covers, manhole covers, and others (brooder boards, tree grates, etc.).

The value chain of the trench cover industry encompasses upstream raw material suppliers, midstream manufacturers, and downstream application scenario, illustrating comprehensive ecosystem from raw materials to end-use infrastructure, as illustrated below:



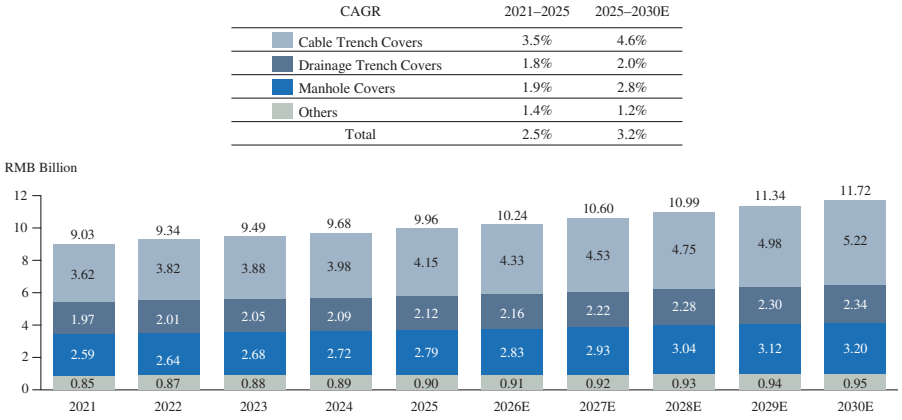
Source: Frost & Sullivan

Market Size of Overall Trench Cover Industry in the PRC

From 2021 to 2025, the market size of the trench cover industry in the PRC grew steadily from RMB9.03 billion to RMB9.96 billion, representing a CAGR of 2.5%. Among its segments, the market size of cable trench covers grew at a higher rate than the industry average, with a CAGR of 3.5%. The market sizes of drainage trench covers, manhole covers, and others also expanded steadily, posting CAGRs of 1.8%, 1.9%, and 1.4%, respectively.

Looking ahead, driven by continuous expansion of energy on infrastructure and national infrastructure construction and renovation projects, the market size is projected to grow continually and reach RMB11.72 billion in 2030, with a CAGR of 3.2%. All market segments continue to maintain steady growth rates with cable trench covers recording the highest CAGR of 4.6% among all segments.

Market Size of Overall Trench Cover Industry in the PRC, Breakdown by Application Scenarios, by Revenue, 2021–2030E



Note: Others include brooder boards, tree grates, etc
Source: *National Bureau of Statistics of China, Frost & Sullivan*

Market Drivers of Overall Trench Cover Industry in the PRC

National Infrastructure Development

Continued infrastructure investment in the PRC solidifies the trench cover industry's foundation, driving demand for durable, high-load, and corrosion-resistant products. The National Development and Reform Commission prioritizes urban underground pipeline renewal, with the 14th Five-Year Plan targeting the renovation of 170,000 kilometers of aging pipelines with total investment exceeding RMB500 billion, accelerating the replacement of traditional cast-iron and concrete covers with composite solutions. Locally, Shenzhen's 2025 Major Project Plan includes 798 major projects with annual planned investment of approximately RMB307.6 billion, with significant funds dedicated to urban infrastructure and rail transit upgrades. Supported by fiscal channels like local government special bonds, these policies mandate stricter technical standards for load-bearing and anti-corrosion performance, securing a robust procurement pipeline for high-quality trench covers and directly benefiting manufacturers capable of meeting these rigorous, policy-backed infrastructure demands.

Industrial Modernization Development

Industrial modernization and digital infrastructure development are further strengthening the market for cable trench covers. The national promotion of "New Infrastructure" and "Intelligent Manufacturing" has driven growth in specialized facilities requiring trench covers with anti-static and electrical isolation properties. For example, according to the Ministry of Industry and Information Technology's (MIIT) 2025 Communications Industry Statistical Bulletin, China had deployed approximately 4.84 million 5G base stations by the end of 2025, representing an increase of more than 760,000 stations from the previous year and further consolidating the world's largest 5G network infrastructure. This rollout creates high demand for composite covers. Furthermore, in industrial sectors such as chemical plants and semiconductor fabrication, tailored trench cover designs are increasingly mandated to accommodate specific load classes and resist aggressive chemical exposure.

Material Technology Upgrade

The adoption of composite materials in trench cover production has become a key catalyst for industry transformation. Composites, typically formed by combining polymers and fibers, are overwhelmingly dominated by glass fiber composites (other options like carbon fiber composites are negligible due to cost). They offer notable advantages over traditional materials such as iron and concrete. They are lighter in weight, which simplifies handling and installation, and exhibit superior resistance to corrosion, particularly in harsh environments such as coastal areas and sewage systems. Their strength and durability can be tailored to meet specific engineering needs, making them highly versatile. Furthermore, many composite materials support environmentally sustainable production and can incorporate recycled content, aligning with national ecological objectives (such as "14th Five-Year Plan for Circular Economy Development"). This material innovation is driving manufacturers to invest in research and development, advancing the industry's technological capabilities and competitiveness.

Intelligent Applications

The integration of intelligent technology has emerged as a primary catalyst for innovation in China's trench cover industry. Smart trench covers equipped with sensors, communication modules such as NB-IoT, and monitoring systems enable real-time tracking of structural integrity metrics including temperature, water accumulation levels, and abnormal displacement. This capability facilitates preemptive maintenance and operational failure prevention. In urban drainage systems, for instance, these intelligent covers automatically alert municipal management platforms upon detecting water level anomalies or blockages by transmitting data through low-power wide-area networks, significantly enhancing operational efficiency. This technological progression aligns with modern urban governance objectives and creates new market opportunities for manufacturers specializing in smart trench cover products.

Future Trends of Trench Cover Industry in the PRC

Smart Integration with Urban Systems

Trench cover industry in the PRC is transitioning toward intelligent infrastructure solutions. Beyond the early adoption of smart trench covers, future development is expected to focus on system-level integration with urban digital twins and AI-powered infrastructure management. This means trench covers will not only collect data but also interact with broader urban systems, enabling dynamic traffic management, predictive flood response, and integration with smart grid or utility networks. This evolution marks a shift from isolated "smart" components to fully embedded infrastructure intelligence.

Multi-functional Material Revolution

Material innovation is setting the stage for the next generation of trench covers. Advanced composite materials are now being developed with multi-functionality in mind, combining lightweight structure, ultra-high strength, flame retardancy, and chemical resistance. Research is increasingly focused on thermoplastic composites, which offer enhanced recyclability and ease of processing. For instance, polyether ether ketone (PEEK) and polyphenylene sulfide (PPS) based composites are being used to achieve exceptional mechanical strength and environmental resistance.

Green Transformation Trend

Green transformation is another key trend, with emphasis on environmentally responsible design and materials. In response to national carbon reduction targets (such as "the Action Plan for Carbon Peaking by 2030"), manufacturers are shifting toward low-carbon, recyclable materials such as recycled fibers and bio-based resins. Compared to cast iron or concrete, these materials significantly reduce lifecycle emissions and support circular manufacturing processes. For example, some producers now offer covers made with recycled glass fiber composites that maintain structural strength while meeting green building certification requirements. Additionally, manufacturing processes are increasingly optimized to minimize energy consumption and waste.

Sustainability is evolving from a regulatory requirement to a competitive differentiator. Future trench cover solutions are likely to adopt closed-loop material cycles, leveraging recycled composites and low-carbon manufacturing techniques. Life-cycle assessments (LCAs) and environmental product declarations (EPDs) are becoming part of procurement standards in infrastructure projects. Leading manufacturers are expected to adopt green design principles not only to comply with national carbon neutrality goals but also to position themselves globally in high-specification markets such as eco-industrial parks and smart transportation hubs.

Overview of Cable Trench Cover Industry in the PRC

Definition of Cable Trench Covers

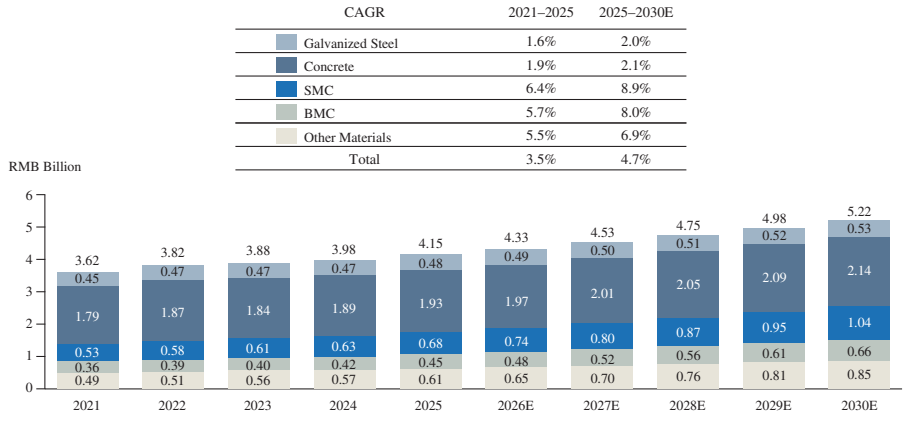
Cable trench covers are protective panels installed over underground utility trenches, primarily shielding power cables from physical damage, environmental hazards, and unauthorized access. They ensure structural integrity under varying loads while enabling safe maintenance access to electrical infrastructure. Designed for durability, insulation, and inspection-friendly characteristics, these covers are critical components in power grids, substations, and urban cable management systems.

Market Size of Cable Trench Cover Industry in the PRC

From 2021 to 2025, the market size of the cable trench cover industry in the PRC grew steadily from RMB3.62 billion to RMB4.15 billion, with a CAGR of 3.5%. During this period, concrete cable trench covers accounted for the largest part of the market, while composite cable trench covers (including SMC and BMC) outpaced the industry in growth. The market size of SMC cable trench covers increased from RMB0.53 billion to RMB0.68 billion, representing a CAGR of 6.4%, while the market size of BMC cable trench covers expanded from RMB0.36 billion to RMB0.45 billion, with a CAGR of 5.7%.

Looking ahead, the market size is projected to reach RMB5.22 billion in 2030, with a CAGR of 4.7%. As the market matures and continuous adoption of composite materials, composite covers will gradually increase in proportion. The market size of SMC cable trench covers is expected to reach RMB1.04 billion in 2030, at a CAGR of 8.9%, and the market size of BMC cable trench covers will grow to RMB0.66 billion by 2030, representing a CAGR of 8.0%.

Market Size of Cable Trench Cover Industry in the PRC, Breakdown by Material, by Revenue, 2021–2030E



Note: Other materials include magnesium oxychloride, etc.
Source: *National Bureau of Statistics of China, Frost & Sullivan*

Market Drivers of Cable Trench Cover Industry in the PRC

The primary drivers for the cable trench cover market are deeply rooted in China's massive investment in critical infrastructure, which demands specialized solutions. A core catalyst is the expansion of energy Infrastructure, encompassing UHV transmission and renewable energy projects. State grid is investing over RMB2.3 trillion (2021–2025) in grid upgrades, requiring covers with superior load capacity, insulation, and extreme weather resistance for vital cable protection. Secondly, digital development and industrial modernization accelerate demand. The rapid deployment of 5G base stations (over 3.37 million by late 2023) and data centers necessitates anti-static, high-technology cable trench covers. Furthermore, the evolution of material technology is crucial, as traditional materials are replaced by composites offering better strength-to-weight ratios and corrosion resistance, which is essential for long-term electrical infrastructure reliability. Lastly, urbanization and smart cities drive the adoption of intelligent cable trench cover systems, embedding sensors to monitor underground power lines, detect unauthorized access, and enhance public safety and maintenance efficiency in dense urban areas.

Future Trends of Cable Trench Cover Industry in the PRC

The future of cable trench covers will be defined by three converging trends: enhanced performance, sustainability, and digital integration. Material and performance innovation focuses on developing new-generation covers with superior resilience against demanding conditions like high temperatures, corrosive chemicals, and mechanical vibration. This includes using specialized composite materials with inherent anti-slip and flame-retardant features to ensure safety and functionality in substations and industrial settings. The green transformation trend is driving a shift toward low-carbon, sustainable manufacturing. In response to national carbon goals, manufacturers are adopting recyclable materials and optimizing processes to reduce energy consumption, supporting a circular economy model and meeting green building standards. Crucially, smart infrastructure integration is transforming the cover into an active utility asset. Cable trench covers are increasingly equipped with embedded sensors for real-time monitoring of cable temperature and moisture levels. This integration with municipal data platforms enables predictive maintenance, allowing utility operators to quickly identify faults and reduce service disruption in power and communication networks.

Overview of Drainage Trench Cover Industry in the PRC

Definition of Drainage Trench Covers

A drainage trench cover is a surface-mounted structural element placed over drainage channels in roads, plazas, industrial parks, and other public or private areas. It serves to prevent pedestrian accidents and debris entry while ensuring effective discharge of stormwater or wastewater. Drainage trench covers are designed with appropriate load-bearing capacity and drainage performance, and are typically made of ductile iron, steel grating, composite materials, or concrete, depending on the application environment. They are widely used in municipal infrastructure, residential complexes, commercial zones, and industrial facilities.

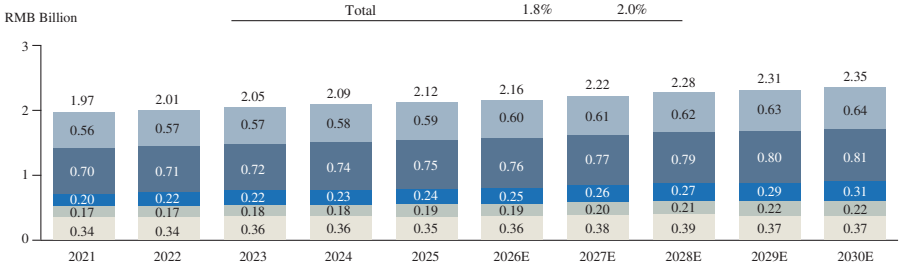
Market Size of Drainage Trench Cover Industry in the PRC

From 2021 to 2025, the market size of the drainage trench cover industry in the PRC grew steadily from RMB1.97 billion to RMB2.12 billion, with a CAGR of 1.8%. During this period, cast iron and concrete drainage trench covers together accounted for the majority of the market, while composite drainage trench covers (including SMC and BMC) maintained a faster growth rate than the overall industry. The market size of SMC drainage trench covers increased from RMB0.20 billion to RMB0.24 billion, representing a CAGR of 4.7%, while the market size of BMC drainage trench covers expanded from RMB0.17 billion to RMB0.19 billion, with a CAGR of 2.8%.

Looking ahead, the market size is projected to reach RMB2.35 billion in 2030, with a CAGR of 2.0%. As the market matures and composite materials continue to be adopted, composite and other high-performance materials will gradually increase their share. The market size of SMC drainage trench covers is expected to reach RMB0.31 billion in 2030, at a CAGR of 5.3%, and the market size of BMC drainage trench covers will grow to RMB0.22 billion by 2030, representing a CAGR of 3.0%.

Market Size of Drainage Trench Cover Industry in the PRC, Breakdown by Material, by Revenue, 2021–2030E

CAGR	2021–2025	2025–2030E
Cast Iron	1.3%	1.6%
Concrete	1.7%	1.6%
SMC	4.7%	5.3%
BMC	2.8%	3.0%
Other Materials	0.5%	1.0%
Total	1.8%	2.0%



Note: Other materials include magnesium oxychloride, stainless steel, plastic, etc.
Source: *National Bureau of Statistics of China, Frost & Sullivan*

Market Drivers of Drainage Trench Cover Industry in the PRC

The growth of the drainage trench cover market is primarily driven by critical investments in municipal water management and the adoption of composite materials. The upgrading of urban drainage systems is a major catalyst. Rapid urbanization has exposed deficiencies in aging drainage and sewage infrastructure, leading to increased flood risks. In response, local governments are strengthening investments in urban water systems. For example, China's "sponge city" initiative, aimed at improving urban water management, is projected to cover over 80% of cities by 2030, driving high demand for structural, corrosion-resistant, and extended service life drainage trench covers to replace traditional cast iron ones. The rising penetration of composite materials is essential, especially in coastal, humid, and high-corrosion environments. These composite covers are lighter, stronger, and more installation-friendly than cast iron or concrete, significantly reducing maintenance costs and replacement cycles. Finally, infrastructure development support from central and local governments for urban renewal, road expansion, and smart city construction provides broad demand. Composite drainage trench covers are preferred for their lightweight and durability, adapting easily to diverse municipal and transportation projects.

Future Trends of Drainage Trench Cover Industry in the PRC

The future of the drainage trench cover industry is characterized by industrial efficiency and global market expansion. Industry integration through automation is a key domestic trend. The composite materials sector is shifting away from manual processes towards fully automated production workflows to improve product consistency, standardization, and delivery speed. Companies are leveraging in-house mold design and automated pressing lines to achieve economies of scale. This transition is expected to consolidate the market, with larger players offering full-cycle infrastructure solutions rather than just components, while smaller workshop-style producers may gradually exit. The second major trend is the acceleration of export market expansion. Supported by initiatives like the Belt and Road Initiative (BRI), Chinese manufacturers are gaining traction in developing regions across Asia, Africa, and Latin America, where infrastructure development is still in its early stages. Standardized designs and container-friendly formats enhance export compatibility. By cooperating with state-owned

enterprises, manufacturers aim to secure local certifications and evolve into full-solution providers, strengthening China's competitiveness in the global infrastructure market.

Overview of Manhole Cover in the PRC

Definition of Manhole Covers

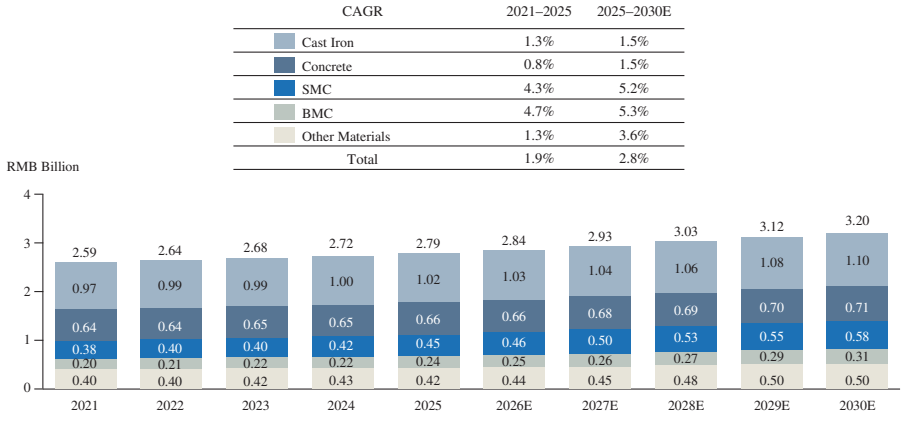
A manhole cover is an openable structural component installed at the entrance of underground utility spaces such as inspection chambers, drainage systems, telecommunications ducts, and power supply conduits. It serves to prevent unauthorized access, ensure pedestrian and vehicular safety, and allow routine maintenance or emergency inspection. Manhole covers are typically made from materials such as cast iron, composite materials, concrete, or stainless steel, and are designed to meet specific load-bearing and environmental requirements.

Market Size of Manhole Cover Industry in the PRC

From 2021 to 2025, the market size of the manhole cover industry in the PRC grew steadily from RMB2.59 billion to RMB2.79 billion, with a CAGR of 1.9%. During this period, cast iron manhole covers accounted for the largest share of the market, while composite manhole covers (including SMC and BMC) outpaced the overall industry in growth. The market size of SMC manhole covers increased from RMB0.38 billion to RMB0.45 billion, representing a CAGR of 4.3%, while the market size of BMC manhole covers expanded from RMB0.20 billion to RMB0.24 billion, with a CAGR of 4.7%.

Looking ahead, the market size is projected to reach RMB3.20 billion in 2030, with a CAGR of 2.8%. As the market matures and composite materials continue to be adopted, composite manhole covers will gradually increase their proportion. The market size of SMC manhole covers is expected to reach RMB0.58 billion in 2030, at a CAGR of 5.2%, and BMC manhole covers will grow to RMB0.31 billion by 2030, representing a CAGR of 5.3%.

Market Size of Manhole Cover Industry in the PRC, Breakdown by Material, by Revenue, 2021–2030E



Note: Other materials include magnesium oxychloride, stainless steel, plastic, etc.
Source: *National Bureau of Statistics of China, Frost & Sullivan*

Market Drivers of Manhole Cover Industry in the PRC

The manhole cover market growth is driven by accelerated urban pipeline renovation across gas, power, telecom, and drainage networks. Traditional cast iron covers are being replaced due to issues like high theft susceptibility, noise, and corrosion. Composite manhole covers, offering better corrosion resistance and a high strength-to-weight ratio, are increasingly favored in municipal projects, extending beyond Tier-1 cities to Tier-2, Tier-3, and county-level areas. Furthermore, there is a rise in demand for refined urban management. Local authorities are imposing higher standards for structural strength, traffic safety, and noise control. Many cities have begun to standardize manhole cover patterns, logos, and visibility features. This shift, alongside the upgraded demand for composite manhole cover solutions, is necessary in

environments like rail transit, airports, and expressways, where covers require exceptional load capacity, fire resistance, and impact resilience.

Future Trends of Manhole Cover Industry in the PRC

The future of manhole covers centers on increased standardization and accelerated adoption of smart systems. There is a continuous elevation of industry certification standards. Project requirements are evolving from basic compliance to stringent engineering certifications and third-party testing, especially for urban road renovation and rail transit. This shift pushes generic product suppliers toward high-value, customized solutions. The most transformative trend is the accelerated adoption of smart manhole cover systems. Smart manhole covers have moved from pilot trials to large-scale implementation, becoming a core element of smart urban infrastructure. They integrate features like geolocating, water level alerts, and anti-theft alarms. The market for these systems is expected to transition from project-driven to platform-based procurement over the next three years, supported by smart city funding and urban brain platforms. This will deepen collaboration between cover manufacturers, IoT providers, and cloud platforms.

OVERVIEW OF TRENCH COVER INDUSTRY IN DUBAI

Dubai's premium trench cover market reached at approximately USD47.3 million in 2025, representing continued growth from the previous year. Driven by large-scale infrastructure investments under the Dubai Plan 2040, including mega-projects such as Dubai Creek Harbour and Expo City, alongside DEWA's smart grid modernization initiatives, demand is concentrated on high-load, corrosion-resistant, and aesthetically integrated products. Aligned with the UAE Net Zero 2050 initiative, future trends favor sustainable recycled-material covers, IoT-enabled smart monitoring solutions, and custom aesthetic designs. The market is quality-centric, dominated by European and GCC suppliers adhering to Dubai Municipality and BS EN 124 certifications, with over 60% of premium products imported from China, Europe, and Turkey, while local production is limited to basic concrete covers.

OVERVIEW OF TRENCH COVER INDUSTRY IN PAKISTAN

Pakistan's trench cover market reached an size of approximately USD26.3 million in 2025, fueled by infrastructure development under the China-Pakistan Economic Corridor (CPEC) Phase-II, the Public Sector Development Programme (PSDP), and the Resilient Pakistan Rehabilitation Plan. Key catalysts include the USD6.8 billion ML-1 Railway Upgrade and the development of nine Special Economic Zones (SEZs), driving demand for drainage and utility protection systems. Future trends involve stricter EN124 load-class enforcement and growing adoption of anti-theft composite materials. The market remains fragmented, with local unorganized manufacturers dominating basic pre-cast concrete covers, while high-spec projects rely on annual imports of USD15–25 million, primarily from China, India, and the UAE, alongside a shift toward ductile iron and SMC composite covers to meet EN 124 standards.

OVERVIEW OF COMPOSITE INDUSTRY IN THE PRC

Definition

Composite materials refer to material systems formed by combining two or more constituent materials with different physical, chemical, or mechanical properties through specific manufacturing processes, resulting in enhanced overall performance at the macroscopic level. Composite materials are typically composed of reinforcement materials, such as glass fibers, carbon fibers, and aramid fibers, and matrix materials, such as resins, metals, or ceramics. The reinforcement materials primarily provide strength and stiffness, while the matrix materials transfer loads, protect the reinforcements, and maintain overall structural stability. Compared with traditional materials, composite materials generally offer advantages such as lightweight properties, high strength, corrosion resistance, fatigue resistance, and strong design flexibility. As a result, they are widely applied in construction and infrastructure, transportation, energy, aerospace, electrical and electronic industries, and industrial manufacturing.

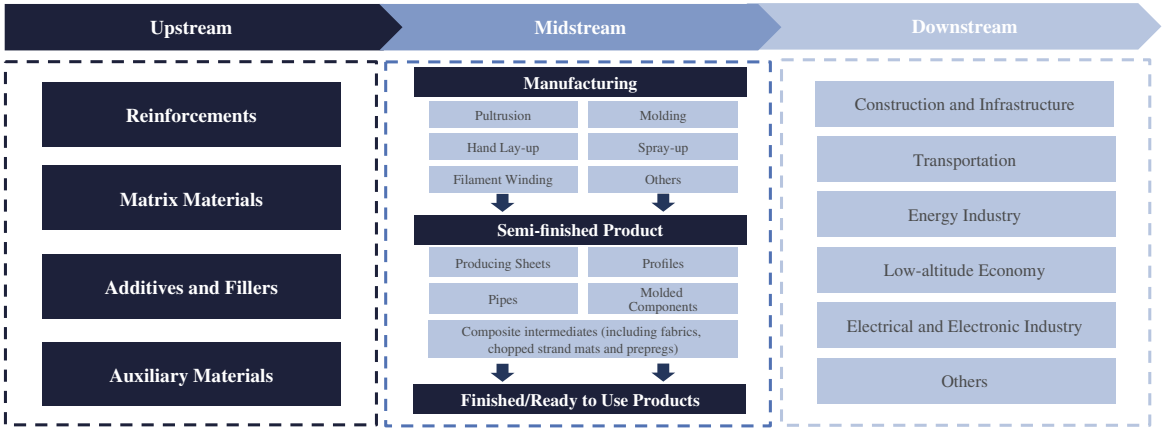
Value Chain

The diagram illustrates the value chain of the composite industry, which can be divided into upstream, midstream, and downstream segments.

The upstream segment mainly consists of raw materials required for composite production, including reinforcements, matrix materials, additives and fillers, and auxiliary materials. Reinforcements are primarily used to enhance strength and stiffness, matrix materials form the main structural body of composites, additives and fillers improve material performance or reduce costs, while auxiliary materials support manufacturing and processing functions.

The midstream segment mainly involves composite manufacturing and processing, including production technologies such as pultrusion, molding, hand lay-up, spray-up, and filament winding. Through these manufacturing processes, semi-finished products such as sheets, profiles, pipes, molded components, and composite intermediates (including fabrics, chopped strand mats, and prepregs) are produced and further processed into finished or ready-to-use composite products.

The downstream segment mainly covers application industries, including construction and infrastructure, transportation, the energy industry, the low-altitude economy, the electrical and electronic industry, and other sectors. Benefiting from characteristics such as lightweight, high strength, corrosion resistance, and insulation performance, composite materials are widely applied in wind power, rail transit, new energy vehicles, industrial facilities, and infrastructure construction.



Source: Frost & Sullivan

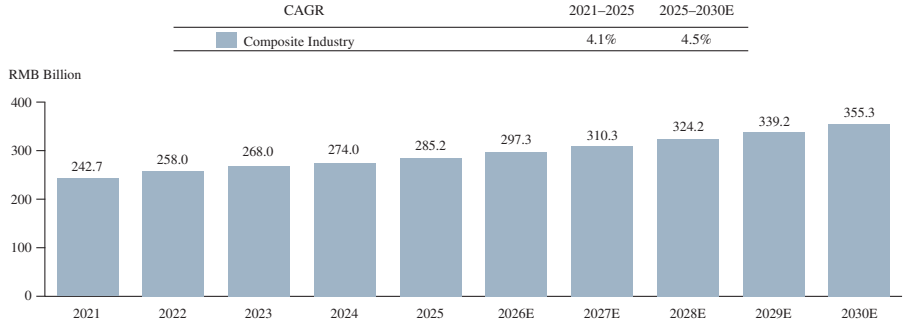
Market Size

In 2021, the market size of the composite industry in the PRC was RMB242.7 billion and expanded to RMB285.2 billion by 2025, representing a CAGR of 4.1% during this period. The growth of the composite industry in the PRC was primarily driven by increasing demand from wind power, transportation, construction, and electrical and electronic industries. In particular, the rapid expansion of wind power installations boosted demand for composite materials used in wind turbine blades and related structural components due to their lightweight and high-strength characteristics. The development of new energy vehicles, rail transit, and lightweight transportation solutions also promoted the penetration of composite materials in automotive structures and infrastructure applications. In addition, increasing requirements for corrosion resistance, durability, and lower maintenance costs in municipal infrastructure and industrial facilities further supported industry growth.

By 2030, the market size of the composite industry in the PRC is projected to reach RMB355.3 billion, with a CAGR of 4.5% from 2025 to 2030. Future growth is expected to be supported by the continued expansion of renewable energy infrastructure, lightweight transportation systems, and industrial upgrading. Demand for composite materials is anticipated

to increase in applications such as wind power equipment, rail transit, energy storage facilities, and industrial infrastructure, where lightweight, corrosion-resistant, and durable materials are increasingly required. At the same time, the industry is expected to gradually shift from scale-driven growth toward higher-value and more customized applications.

Market Size of Composite Industry in the PRC, by Revenue, 2021–2030E



Source: China Composites Industry Association, Frost & Sullivan

Market Drivers

Expansion of Demand-side

In the renewable energy sector, the rapid expansion of wind power and solar energy has significantly increased demand for composite materials. Benefiting from their lightweight, high-strength, corrosion-resistant, and fatigue-resistant characteristics, composite materials are widely used in wind turbine blades, photovoltaic support structures, and energy storage facilities. In the transportation sector, the accelerating trend toward lightweight solutions in new energy vehicles, rail transit, and aerospace applications has further promoted the penetration of composite materials in structural and functional components. In addition, increasing requirements for durability, corrosion resistance, and lower maintenance costs in municipal infrastructure and industrial facilities have expanded the application of composite materials in bridges, pipelines, cable trays, trench covers, and building facades, particularly in corrosive or high-moisture environments.

Policy Support

Under the framework of China's dual-carbon goals and industrial upgrading policies, government authorities have continued to support the development of renewable energy, new infrastructure, advanced manufacturing, and lightweight transportation industries, thereby driving demand for composite materials. Policies such as the "New Energy Vehicle Industry Development Plan (2021–2035)" and renewable energy development initiatives have accelerated the adoption of composite materials in wind power, electric vehicles, and energy storage applications. At the same time, increasingly stringent environmental regulations and higher standards for energy efficiency and durability are encouraging the replacement of traditional materials with lightweight and corrosion-resistant composite materials. In addition, the advancement of manufacturing automation, material standardization, and technological innovation is further supporting the long-term development and industrial upgrading of the composites industry.

Future Trends

Technology-driven Transformation

In the future, the composite industry in the PRC is expected to further accelerate its technology-driven transformation, with continuous advancements in material systems, manufacturing technologies, and intelligent production processes. Future industry development is expected to focus on improving material performance, lightweight capabilities, durability, and multifunctionality through the adoption of composite structure optimization technologies. At the manufacturing level, automated fiber placement, pultrusion, resin transfer molding, precision

molding, and intelligent manufacturing technologies are expected to become more widely adopted, supporting higher production efficiency, improved product consistency, and lower manufacturing costs. In addition, the integration of automation, digitalization, and smart manufacturing is expected to further enhance large-scale and high-precision production capabilities. Under the trend of green manufacturing and carbon neutrality, recyclable composites, bio-based materials, and low-carbon production technologies are also expected to gain increasing industry attention, supporting the sustainable upgrading of the composite industry.

Overseas Market Deployment

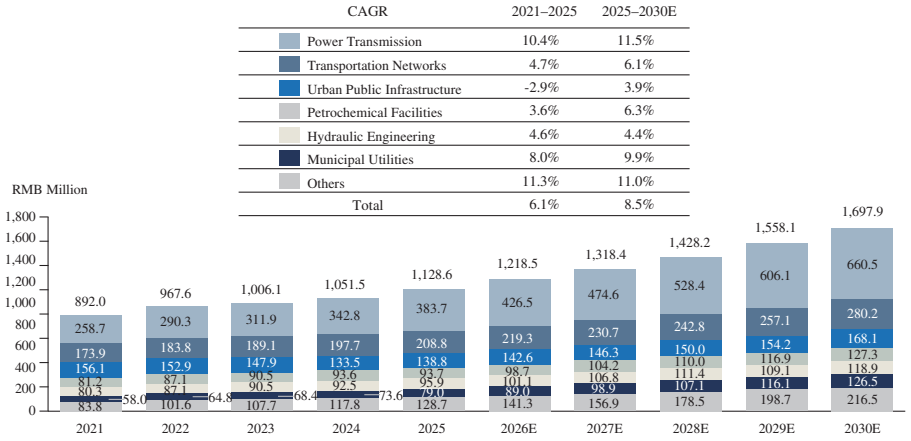
In the future, Chinese composite material enterprises are expected to further accelerate overseas market deployment driven by global infrastructure development, renewable energy expansion, and industrial upgrading. Emerging markets such as Southeast Asia, the Middle East, and India are expected to continue increasing demand for composite materials in wind power, transportation, municipal infrastructure, and industrial facilities, creating opportunities for Chinese manufacturers to expand exports and project cooperation. At the same time, developed markets in Europe, the U.S., and Japan are expected to maintain demand for composite materials with stricter standards for product quality, lightweight performance, and environmental compliance. This trend is expected to encourage Chinese enterprises to strengthen technological innovation, improve product quality, and enhance global competitiveness in higher-end application markets.

Market Size of Composite Cable Trench Covers in the PRC

From 2021 to 2025, the overall market size of composite cable trench covers in the PRC grew at a CAGR of 6.1%, increasing from RMB892.0 million in 2021 to RMB1,128.6 million in 2025. The market is projected to maintain steady growth at a CAGR of 8.5% from 2025 to 2030E, reaching RMB1,697.9 million by 2030E. Among downstream application segments, the Urban Public Infrastructure sectors exhibit more moderate growth trajectories compared to the overall market: Urban Public Infrastructure saw a CAGR of -2.9% in 2021–2025 and is expected to recover to a CAGR of 3.9% in 2025–2030E.

The overall market growth is primarily driven by robust demand from high-growth segments such as Power Transmission and Municipal Utilities, which benefit from sustained investment in new energy infrastructure and urban renewal initiatives. For Urban Public Infrastructure, the contraction is mainly attributed to fiscal constraints on local governments, which suppressed investment in municipal road and pipeline renovation projects; additionally, the adoption of integrated underground utility corridors reduced standalone demand for traditional cable trench covers. These segments are expected to maintain stable and steady recovery, supported by ongoing maintenance and upgrading needs for existing infrastructure.

Market Size of Composite Cable Trench Covers in the PRC, Breakdown by Downstream Industry, by Revenue, 2021–2030E



Notes:

(1) Municipal utilities include gas supply, heating supply, etc.

(2) Others include niche applications such as new energy power stations, agricultural irrigation systems, mining sites, etc.

(3) The composite segment in this application refers exclusively to glass fiber composites, with other composite materials (e.g. carbon fiber composites) excluded due to negligible market share.

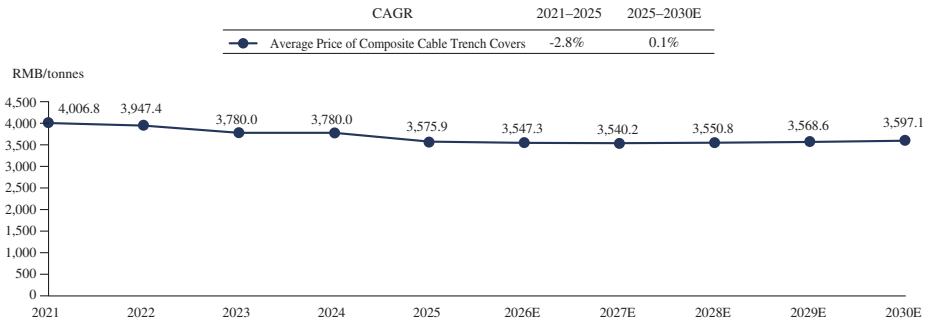
Source: China Composites Industry Association, Frost & Sullivan

Market Price of Composite trench cover products in the PRC

Composite cable trench cover

From 2021 to 2025, the average price of composite cable trench covers in the PRC decreased slightly from RMB4,006.8 per tonne to RMB3,575.9 per tonne, representing a CAGR of -2.8%, and is projected to maintain at a moderate CAGR of 0.1% to reach RMB3,597.1 per tonne by 2030. Composite materials offer advantages such as lightweight and high strength, strong corrosion resistance, electrical insulation, and low maintenance costs, which support their wide adoption in power and municipal infrastructure applications.

Average Price of Composite Cable Trench Cover in the PRC, 2021–2030E

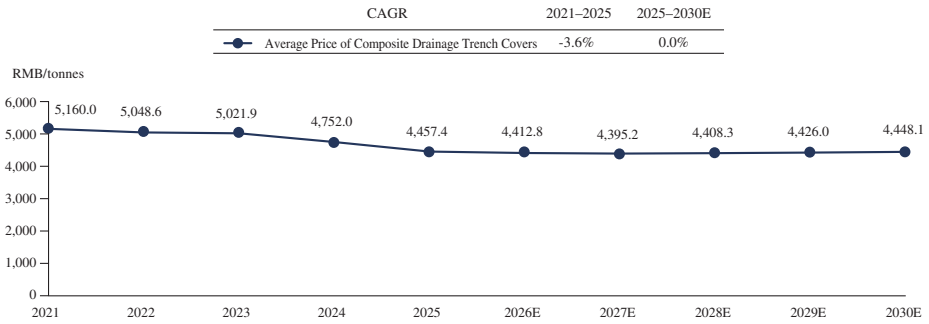


Source: National Bureau of Statistics of China, Frost & Sullivan

Composite drainage trench cover

From 2021 to 2025, the average price of composite drainage trench covers in the PRC declined from RMB5,160.0 per tonne to RMB4,457.4 per tonne, representing a CAGR of -3.6%. This is because their stable core performance needs (for light-to-medium-load scenarios only, less need for material/structure upgrades) meet a fully competitive market with limited premium room, while long-term municipal public bidding projects also keep prices stable with infrequent adjustments. It is projected to moderate at a CAGR of 0.0% to RMB4,448.1 per tonne by 2030, showing a slightly upward trend. Composite materials, with advantages such as lightweight and high strength, strong corrosion resistance, electrical insulation, and low maintenance costs, continue to maintain significant application value in municipal and infrastructure construction.

Average Price of Composite Drainage Trench Cover in the PRC, 2021–2030E

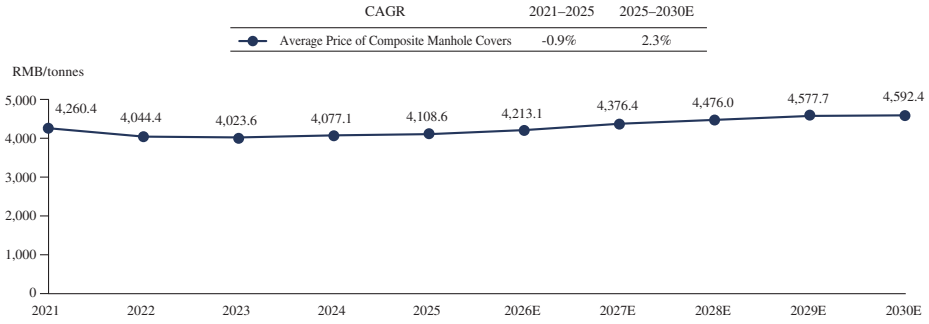


Source: National Bureau of Statistics of China, Frost & Sullivan

Composite manhole trench cover

From 2021 to 2025, the average price of composite manhole covers in the PRC declined from RMB4,260.4 per tonne to RMB4,108.6 per tonne, representing a CAGR of -0.9%. Manhole covers are primarily used in municipal projects, where long-term municipal procurement contracts result in minimal price fluctuations and stable pricing. It is expected to rise at a CAGR of 2.3% to RMB4,592.4 per tonne by 2030, showing a steady upward trend. With advantages such as lightweight and high strength, strong corrosion resistance, anti-theft and electrical insulation properties, and low maintenance costs, composite manhole covers are widely adopted in municipal roads and underground pipeline networks.

Average Price of Composite Manhole Cover Industry in the PRC, 2021–2030E



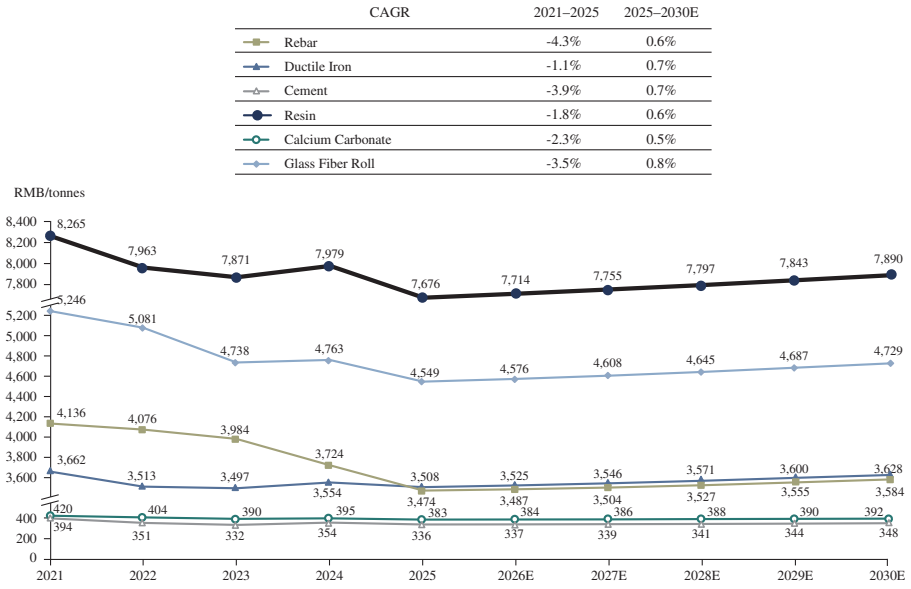
Source: National Bureau of Statistics of China, Frost & Sullivan

Raw Materials Price Analysis

From 2021 to 2025, raw material prices for trench covers in the PRC experienced volatile trends influenced by global commodity cycles. Overall, the prices declined over the period, having peaked in early 2021 before entering a downtrend through 2025 with a moderate recovery in the second half of the year.

Looking ahead, as the economy experiences a moderate recovery, driving up commodity and carbon costs, raw material prices for trench covers in the PRC are projected to show a slight upward trend from 2025 to 2030.

The Annual Average Price of Raw Materials, 2021–2030E



Notes:

(1) The price of raw materials is the market average price for common categories.

(2) The price of glass fiber off-cuts is generally 20%–40% of the price of glass fiber rolls.

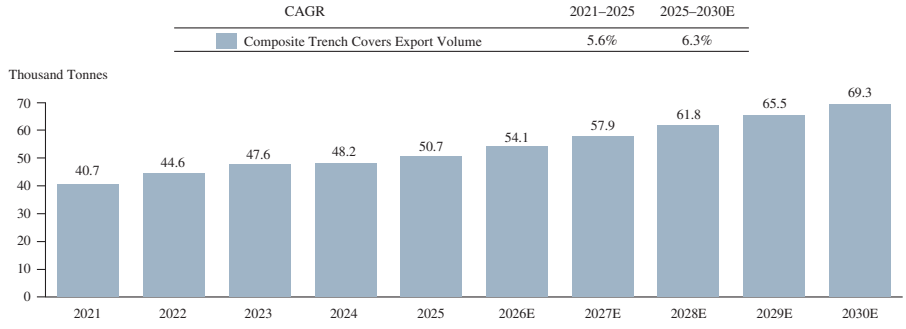
Source: National Bureau of Statistics of China, Frost & Sullivan

Export Volume of Composite Trench Covers in the PRC

In 2021, the export volume of composite trench covers in the PRC was 40.7 thousand tonnes and increased to 50.7 thousand tonnes by 2025, representing a CAGR of 5.6% during this period. By 2030, the export volume of composite trench covers in the PRC is projected to reach 69.3 thousand tonnes, with a CAGR of 6.3% from 2025 to 2030. This steady growth is driven by the rising global demand for durable, corrosion-resistant trench cover solutions in infrastructure projects, as well as the advancements in manufacturing technology that enhance product competitiveness in international markets.

The composite trench covers manufactured in the PRC are exported to over 40 countries and regions, with more than 90% of sales concentrated in Southeast Asia, the Middle East, North America, Europe, and South Asia. The top import markets are Indonesia, Saudi Arabia, the UAE (Dubai), Vietnam, Malaysia, the United States, and Pakistan.

Export Volume of Composite Trench Covers in the PRC, by Revenue, 2021–2030E



Note: The composite segment in this application refers exclusively to glass fiber composites, with other composite materials (e.g., carbon fiber composites) excluded due to negligible market share.
Source: *China Composites Industry Association, Frost & Sullivan*

OVERVIEW OF CARBON FIBER COMPOSITE INDUSTRY

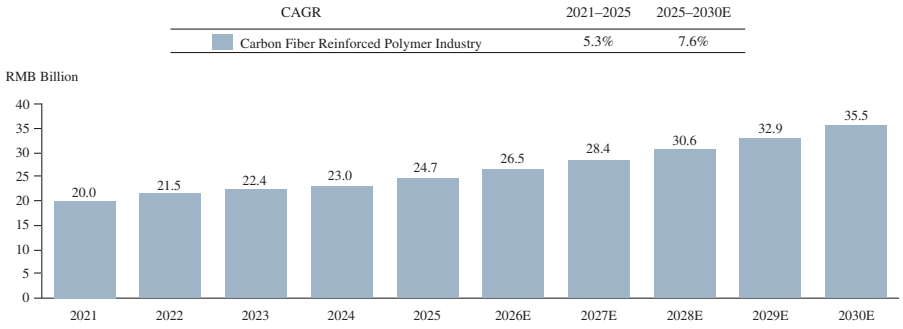
Definition of Carbon Fiber Composites

Carbon fiber composites refer to a composite material consisting of carbon fiber as the reinforcing phase and polymer (including thermosetting resins and thermoplastic resins) as the matrix. The carbon fiber component provides exceptionally high strength, stiffness, and fatigue resistance, while the polymer matrix ensures structural integrity, facilitates stress transfer, and offers design flexibility. As a result, carbon fiber composites exhibit outstanding characteristics including high specific strength, high specific modulus, light weight, and strong corrosion resistance.

Market Size of Carbon Fiber Composite Industry in the PRC

From 2021 to 2025, the market size of the carbon fiber composite industry in the PRC increased from RMB20.0 billion to RMB24.7 billion, achieving a CAGR of 5.3%. Looking ahead, the market size of the carbon fiber composite industry in the PRC is projected to grow steadily to approximately RMB35.5 billion in 2030, reflecting an accelerated CAGR of 7.6% from 2025 to 2030.

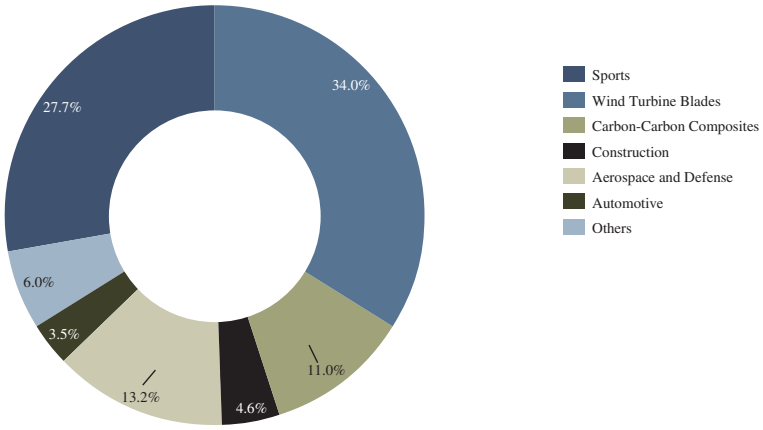
Market Size of Carbon Fiber Composite Industry in the PRC, by Revenue, 2021–2030E



Source: *China Composites Industry Association, Frost & Sullivan*

The structural component market represents the dominant force in China's carbon fiber composite industry. Driven primarily by the Wind Turbine Blades (34.0%) and Aerospace & Defense sectors (13.2%), this segment accounted for over 47% of the total market revenue in 2025. With the broader industry projected to grow at a 6.9% CAGR from 2025 to 2030, the structural component market is expected to expand significantly, rising from approximately RMB10.0 billion in 2025 to RMB16.0 billion in 2030, fueled by demand for lightweighting in renewable energy and aviation. In contrast, the Robot Shell market is a nascent but high-potential niche, currently categorized within the "Others" segment (which holds 6.0% of the market). Although the current market size of robot shells is relatively small (approx. RMB0.4 billion), it is a high-growth, high-value-added niche segment. Over the next five years, as the humanoid robot industry matures, the market size of this segment is expected to achieve more than a threefold increase, reaching a scale of about RMB1.0 billion.

Carbon Fiber Composites in the PRC, Breakdown by Applications, by Revenue, 2025

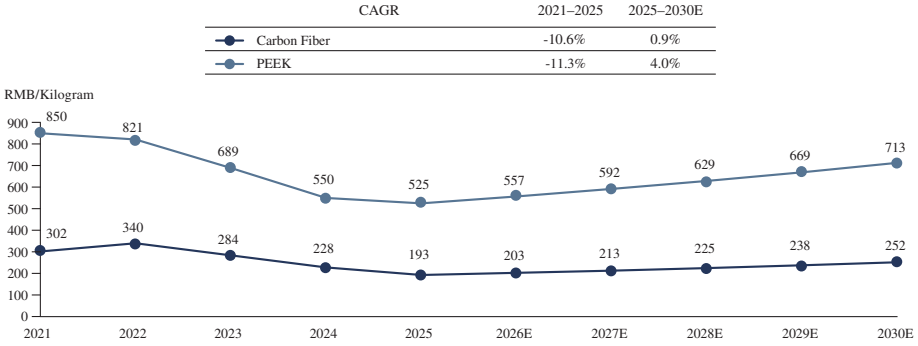


Source: China Composites Industry Association, Frost & Sullivan

Raw Material Price Analysis

From 2021 to 2025, the average prices of both carbon fiber and PEEK declined, with PEEK seeing a steeper drop driven by domestic substitution. Both materials are projected to recover moderately, with carbon fiber stabilizing around RMB200/kg and PEEK rising to about RMB713 per kilogram by 2030.

The Annual Average Price of Raw Materials, 2021–2030E



Note: Carbon fiber prices refer to the market average of T700 and T800 grades.
Source: *Frost & Sullivan*

Competitive Landscape of Carbon Fiber Composite Industry in the PRC

As of 2024, China's carbon fiber composite industry encompasses around 300 production and processing enterprises, mainly clustered in the Yangtze River Delta, Shandong Peninsula, and Pearl River Delta. Domestic firms have achieved a rapid increase in the localization rate for large-tow, general-purpose carbon fiber by expanding capacity and overcoming technical hurdles, successfully catering to explosive mid-to-low-end demand (e.g., wind power and photovoltaics). Conversely, the market remains highly dependent on a few international leaders for high-end applications (e.g., aerospace and high-pressure vessels) due to the immense technological, certification, and data accumulation barriers associated with high-specification products.

COMPETITIVE LANDSCAPE

Rankings

1. Ranking of Trench Cover Industry Players in the PRC, by Market Share Measured by Revenue (2025)

Ranking	Company	Listing Status	Market Share in Trench Cover Industry in the PRC, 2025
1	Company A[1]	Not Listed	3.16%
2	Company B[2]	Not Listed	2.45%
3	***The Company***	**–**	***1.44%***
4	Company C[3]	Not Listed	1.42%
5	Company D[4]	Not Listed	1.41%
		Top 5 Subtotal	**9.88%**

Notes:

(1) Founded in 2004 and headquartered in Wuhan, China, the company is a leading municipal facility manufacturer, its portfolio includes ductile iron manhole covers, composite water grates, HDPE corrugated pipes, and intelligent manhole covers. Based in Central China, its business radiates across China and reaches international markets. It is shortlisted for more than 2000 major projects.

(2) Founded in 2014 and headquartered in Jincheng, China, the company specializes in ductile iron manhole covers, drainage grates, and municipal casting products. Equipped with horizontal static pressure production lines and automated sand processing systems, its products meet national casting standards. Its sales cover domestic regions including Zhejiang and major infrastructure projects nationwide.

(3) Founded in 1993 and headquartered in Shanxi, China, the company specializes in developing and producing ductile iron cable trench covers, manhole covers and drainage products, which are widely used in municipal, power and infrastructure construction projects. The company primarily serves customers across Northern and Northwestern China, with its products being supplied to municipal infrastructure, utility and transportation projects in multiple provinces and regions throughout the country.

(4) Founded in 2001 and headquartered in Hangzhou, China, the company is a national high-tech enterprise specializing in SMC composite materials (products include SMC composite cable trench covers, drainage grates, water meters boxes, and custom composite products). Its business scope is mainly in East China, while its products are exported to more than 100 countries, used in cross-sea bridges and international projects.

Source: Annual reports, Frost & Sullivan

2. Ranking of Cable Trench Cover Industry Players in the PRC, by Market Share Measured by Revenue (2025)

Ranking	Company	Listing Status	Market Share in Cable Trench Cover Industry in the PRC, 2025
1	***The Company***	**–**	***2.43%***
2	Company E[1]	Not Listed	0.99%
3	Company A	Not Listed	0.89%
4	Company D	Not Listed	0.80%
5	Company F[2]	Not Listed	0.73%
		Top 5 Subtotal	**5.84%**

Notes:

(1) Founded in 2016 and headquartered in Anhui, China, the company specializes in developing and producing SMC composite cable trench covers, ductile iron covers and drainage trench covers, which are widely used in power, telecommunications and municipal infrastructure projects. The company

primarily serves customers across Eastern and Central China, with a strong focus on power grid construction, utility networks and municipal engineering projects, and has established sales coverage across multiple provinces in China.

(2) Founded in 2009 and headquartered in Nanyang, China, the company specializes in R&D and manufacturing of BMC/SMC composite manhole covers, cable trench covers, and drainage grates, leveraging its long-term experience in electric power supporting products. Its product is exported to Europe, Americas, Africa, and Southeast Asia.

Source: Annual reports, Frost & Sullivan

3. Ranking of Composite Cable Trench Cover Industry Players in the PRC, by Market Share Measured by Revenue (2025)

Ranking	Company	Listing Status	Market Share in Composite Cable Trench Cover Industry in the PRC, 2025
1	***The Company***	**–**	***8.91%***
2	Company E	Not Listed	3.37%
3	Company D	Not Listed	2.84%
4	Company F	Not Listed	2.59%
5	Company A	Not Listed	2.31%
		Top 5 Subtotal	**20.02%**

Source: Annual reports, Frost & Sullivan

ENTRY BARRIERS

From a material science perspective, manufacturers must master the correct formulation of fiber reinforcement and polymer matrices to achieve the required performance levels, such as load-bearing strength, durability, UV resistance, and chemical corrosion resistance. In terms of production processes, techniques like compression molding, pultrusion, or hand lay-up require precise control over temperature, pressure, curing cycles, and mold design. Even minor deviations may result in internal voids, cracks, or delamination, rendering products non-compliant. Furthermore, different application scenarios, ranging from municipal roads and utility corridors to hazardous chemical zones, which demand differentiated structural designs, pushing companies to develop customized engineering solutions. High-end clients often require third-party testing for load performance, fire resistance, aging resistance, etc., which adds another layer of technical capability. As a result, companies without strong materials engineering, process control, and structural design competencies will find it extremely difficult to produce certified, scalable, and durable products.

While individual trench covers are relatively low in unit price, the overall capital barrier to entering this market is significantly high due to equipment investment, tooling development, inventory management, and extended payment cycles. For example, manufacturing composite trench covers typically requires substantial capital investment in industrial hydraulic presses, high-temperature molds, glass fiber cutting machines, and resin injection systems, with initial setup costs typically ranging from RMB2 million to RMB5 million depending on production capacity and automation level. Additionally, due to the wide variety of cover sizes, load classes, and regional standards, companies need to develop and maintain a variety of custom molds, which adds considerable cost. On the financial side, most clients are public-sector institutions with procurement-to-payment cycles typically extending 3 to 12 months, placing pressure on working capital. Manufacturers are also required to hold safety stock to meet emergency orders. Moreover, the integrated production model, combining automated precision manufacturing with in-house mold fabrication, requires significant capital investment and specialized expertise, which presents a considerable operational barrier for potential new market entrants.

As key components of public infrastructure, trench covers must comply with strict national and industry standards to ensure safety and reliability. In China, products must meet standards such as GB/T 23858-2009, which cover compressive strength, impact resistance, skid resistance,

fire retardancy, and more. For procurement eligibility in public or utility projects, third-party testing reports are often mandatory. Furthermore, most large clients require manufacturers to hold ISO 9001 quality management system certification, with many projects additionally requiring ISO 14001 environmental management certification or industry-specific qualifications like utility sector access permits. In certain regions or sectors (e.g., electricity, waterworks, telecommunications), only vendors listed in government procurement platforms or approved supplier directories are allowed to participate in bidding. Without completing extensive product testing and registration, new entrants may be administratively excluded from mainstream markets. Regulatory compliance and certification thus form a non-trivial barrier that protects incumbents with long-standing approvals and penalizes newcomers.

Client resources are arguably the most strategic and defensible entry barrier in the trench cover industry. The primary customer base consists of municipal construction departments, utility companies, infrastructure contractors, and government-owned enterprises. Many large-scale projects also involve customized design, technical collaboration, and post-delivery maintenance, which further strengthens the buyer-supplier relationship. Newcomers who lack reference projects, local government connections, or after-sales support teams will find it extremely difficult to win contracts. In safety-sensitive sectors (such as traffic-heavy roads and urban pedestrian zones), brand reputation and perceived risk avoidance are key concerns, further tilting the playing field toward established players. Therefore, customer resource barriers create a network lock-in effect that is very difficult to overcome without sustained investment and relationship-building.

SOURCE OF INFORMATION

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare a market research report on trench cover industry, composite industry and carbon fiber composite industry. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB486,200. The payment of such amount was not contingent upon our successful **[REDACTED]** or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the **[REDACTED]**. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of trench cover industry, composite and carbon fiber composite industry for potential **[REDACTED]**. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of trench cover industry, composite industry and carbon fiber composite industry.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of trench cover industry, composite and carbon fiber composite industry. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: (i) the economy in the global range is likely to maintain stable growth in the next decade, and (ii) trench cover industry, composite industry and carbon fiber composite industry are expected to grow based on the macroeconomic assumptions of the economy. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.

SUMMARY OF PRINCIPAL LAWS AND REGULATORY PROVISIONS (LAWS IN MAINLAND CHINA)

Regulations on Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was last amended by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 2018 and came into effect on the same day, the seller shall be responsible for the repair, replacement or return of the product sold under any of the following circumstances and compensate for the damages done to consumers if one of the following cases occurs: (1) products do not have the properties they should have for use and there is no advance explanation; (2) the quality of products does not conform to the standards or to the standards specified in the packages; (3) the quality of products does not tally with the quality specified in the instruction for use or with the quality of samples provided.

According to the Civil Code of the People's Republic of China (the "**Civil Code**") passed by the SCNPC on 28 May 2020 and implemented on 1 January 2021, the producer shall bear the infringement liability for damages caused to others due to defects in the product. If damages are caused to others due to defects in the product, the infringed party may claim compensation from the producer of the product or from the seller of the product. If a defect in a product is caused by the producer, the seller shall have the right to recover compensation from the producer after compensation has been made. If a defect exists in the product due to the fault of the seller, the producer shall have the right to recover compensation from the seller after compensation has been made.

Regulations on Products Standardization

The Standardization Law of the PRC ("**《中華人民共和國標準化法》**"), which was promulgated by the Standing Committee of the National People's Congress ("**NPCSC**") on 29 December 1988 and amended on 4 November 2017, stipulates that "standards (including standard samples)" as referred to in this Law mean unified technical requirements required in fields such as agriculture, industry, services and social undertakings. Standards include national standards, trade standards, local standards, group standards, and enterprise standards. National standards are classified into compulsory standards and voluntary standards, while trade standards and local standards are voluntary standards. Compulsory standards shall be enforced. No products or services that do not comply with compulsory standards may be produced, sold, imported or provided. The State encourages the adoption of voluntary standards. The State implements a system of self-declaration, public disclosure and supervision for group standards and enterprise standards. Enterprises shall disclose the numbers and names of the compulsory standards, voluntary standards, group standards or enterprise standards implemented by them; where an enterprise implements an independently formulated enterprise standard, it shall also disclose the functional indicators of its products and services as well as the performance indicators of its products. The State encourages group standards and enterprise standards to be made public to the society through the public service platform for standard information. Enterprises shall organize production and business activities in accordance with standards, and the products they produce and services they provide shall comply with the technical requirements of the standards publicly disclosed by the enterprises.

According to the Regulations for the Implementation of the Standardization Law of the People's Republic of China ("**《中華人民共和國標準化法實施條例》**") promulgated by the State Council on 6 April 1990 and revised on 10 March 2024, national standards and industry standards are classified into mandatory standards and voluntary standards. The following standards shall be mandatory standards: (i) standards for pharmaceuticals, food hygiene and veterinary medicine; (ii) safety and hygiene standards for products and the production, storage and transportation and utilization of products; standards for the safety of labor and hygiene standards and safety standards for transportation; (iii) quality, safety and sanitation standards for project construction and other standards for project construction that must be controlled by the

State; (iv) standards for the discharge of pollutants and standards for environmental quality; (v) important technical terms, symbols, codes and drafting methods in common use; (vi) standards on universal methods of experimentation and examination; (vii) standards for conversion and coordination; and (viii) quality standards for important products which need to be controlled by the State. Standards other than mandatory standards are voluntary standards. Local standards for the safety and hygiene requirements of industrial products formulated by the competent administrative departments for standardization of the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government shall be mandatory within their respective administrative regions. All entities and individuals engaged in scientific research, production and operation must strictly implement mandatory standards. Products that do not comply with mandatory standards shall be prohibited from production, sale and import. Where an enterprise implements national standards, industry standards, local standards or enterprise standards in production, it shall mark the code, number and name of the implemented standard on the product itself, its instruction manual or packaging. The technical requirements for export products shall be agreed upon by both parties to the contract. When export products are sold domestically, if they fall within the scope of China's mandatory standard management, they must comply with the requirements of mandatory standards.

Regulations on Production Safety, Environmental Protection and Energy Conservation Review

Production Safety

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was last amended by the SCNPC on 10 June 2021 and came into effect on 1 September 2021, entities engaged in production and business activities within the PRC shall comply with the Production Safety Law and other laws and regulations related to production safety, strengthen production safety management. Entities shall establish and improve a production safety responsibility system, improve production safety conditions and ensure production safety. The person in charge of a production and operation entity shall be fully responsible for the production safety of the entity. Violation of the Production Safety Law may result in an order to make corrections within a certain period of time, an order to cease operation, suspension or revocation of qualification relating to production safety, imposition of fines and penalties, depending on the circumstances of the violation, and criminal liability will be pursued if the violation constitutes a crime.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was last amended by the SCNPC on 24 April 2014 and came into effect on 1 January 2015, enterprises and other producers and operators shall prevent and reduce environmental pollution and ecological damage, and shall bear responsibility according to law for the damage caused thereby. Enterprises and other producers and operators that discharge pollutants shall take measures to prevent and control pollution and other hazards caused to the environment by waste gas, waste water, waste residues, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration and optical and electromagnetic radiation generated in the course of production, construction or other activities. Enterprises that discharge pollutants shall establish an environmental protection responsibility system and specify the responsibilities of the persons-in-charge of the entities and the relevant personnel. Enterprises and other producers and operators that discharge pollutants shall pay pollutant discharge fees in accordance with the relevant provisions of the PRC. Enterprises and other producers and operators subject to the administration of emission permits shall discharge pollutants in accordance with the requirements of the emission permits; those without emission permits shall not discharge pollutants. Enterprises and other producers and operators that discharge pollutants in violation of the Environmental Protection Law shall, according to the circumstances, be fined, ordered to correct or restore their original state, ordered to take

measures such as restricting production or stopping production for rectification, ordered to suspend business, closed down or investigated for criminal responsibility.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was amended by the SCNPC on 29 December 2018 and came into effect on the same day, the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was amended by the State Council on 16 July 2017 and came into effect on 1 October 2017, and the Interim Measures for Environmental Protection Acceptance Inspection Upon Completion of Construction Projects (《建設專案竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on 20 November 2017 and came into effect on the same day, the PRC implements a system to assess the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection competent administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance inspection on the supporting environmental protection facilities and prepare an acceptance report. For construction projects that are constructed in phases or put into production or used in phases, the corresponding environmental protection facilities shall be inspected and accepted in phases. The construction projects can only be put into production or use after the completed supporting environmental protection facilities have passed the acceptance inspection. Facilities that have not been carried out or have not passed the acceptance inspection shall not be put into production or use.

According to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was last amended on 29 April 2020 by the SCNPC and came into effect on 1 September 2020, any entity or individual that generates, collects, stores, transports, utilises or disposes of solid waste shall take measures to prevent or reduce the pollution of solid waste to the environment, and shall be responsible for the environmental pollution caused in accordance with the law. An entity that produces hazardous wastes shall work out a plan for managing hazardous wastes in accordance with the relevant provisions issued by the state; and keep a hazardous waste management journal, faithfully recording relevant information, and report the types, production, destination, storage, treatment and other relevant information to the local ecology and environment department through the National Hazardous Waste Information Management System. A hazardous waste management plan shall include measures to reduce the generation of hazardous waste and mitigate its hazardous properties, as well as procedures for the storage, utilisation, and disposal of such waste. The hazardous waste management plan shall be submitted to the competent ecology and environment authorities at the location where entities that generate hazardous waste are situated for record-filing. Where entities that generate hazardous waste have already obtained a pollutant discharge permit, the provisions of the pollutant discharge permit management system shall apply. Entities that generate hazardous waste shall store, utilise, and dispose of hazardous wastes in accordance with relevant national requirements and environmental protection standards. They are prohibited from arbitrarily dumping or piling up hazardous waste.

Pursuant to the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) last amended by the SCNPC on 27 June 2017 and came into effect on 1 January 2018, the discharge of water pollutants shall be within the state or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. Enterprises and public institutions and other manufacturers and operators which directly or indirectly discharge industrial waste water or medical sewage to waters or which are required to obtain the pollutant discharge licence before discharging waste water and sewage water must obtain the pollutant discharge licence. The environmental impact

assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. The water pollution prevention and treatment facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was last amended by the SCNPC on 26 October 2018 and took effect on the same day, enterprises, institutions and other production and operation units shall take effective measures to prevent and reduce air pollution, and shall bear the responsibility for the damage caused in accordance with the law. Enterprises, institutions and other production and operation units shall, in accordance with the relevant national regulations and monitoring standards, monitor their emissions of industrial waste gases or toxic and hazardous air pollutants listed in the catalogue published according to Article 78 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), and keep the original monitoring records. Enterprises and institutions that emit industrial waste gas or toxic and hazardous air pollutants listed in the above-mentioned catalogue, as well as other units that implement administration of pollution discharge permits in accordance with the law, shall obtain a pollutant discharging permit. In addition, enterprises, institutions and other production and operation units constructing projects that have an impact on the atmospheric environment shall carry out environmental impact assessment and make environmental impact assessment documents public in accordance with the law; the units that emit pollutants into the atmosphere must comply with the discharging standard for atmospheric pollutants as well as the requirements on control of the total discharging amount of key atmospheric pollutants.

According to the Regulations on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》), which was promulgated by the State Council on 24 January 2021 and came into effect on 1 March 2021, enterprises and other production operators that implement pollutant discharge licencing management shall discharge pollutant in accordance with the Administration of Permitting of Pollutant Discharges, and shall not discharge pollutants without obtaining the pollutant discharge permits. Environmental protection authorities impose various administrative penalties , such as fines, order to correct, restriction or suspension of production for rectification, and order to cease operation, etc., on individuals or enterprises that violate the Environmental Protection Law.

Pursuant to the Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) promulgated by the Ministry of Ecology and Environment on 28 July 2017 and amended on 20 December 2019, the state implements a focused, simplified and registration management of emission permits based on the amount of pollutants, emissions and the extent of environmental damage of pollutant discharging enterprises, public institutions and other producers and business operators (the "**Pollutant Discharging Entities**"). Pollutant Discharging Entities with a significant amount of pollutant generation, emissions or environmental impact are subject to focused management on permission of pollutant discharge. Those with a smaller amount of pollutant generation, emissions and environmental impact are subject to simplified management on permission of pollutant discharge. Those with minimal pollutant generation, emissions and environmental impact are subject to pollutant discharge registration management. Those who are subject to registration management are not required to obtain pollutant discharge permits and shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register with its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention, control measures adopted and other information.

Energy Conservation Review

According to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), which was last amended by the SCNPC on 26 October 2018 and came into effect on the same

day, the State shall implement an energy conservation assessment and audit system for fixed asset investment projects. For projects which do not meet the compulsory energy conservation standards, the developer shall not commence construction; where the construction is completed, the project shall not be put into production or use. For government investment projects which do not meet the compulsory energy conservation standards, the agency in charge of examination and approval pursuant to the law shall not grant approval for construction. Detailed measures shall be formulated by the department regulating energy conservation under the State Council jointly with other relevant State Council departments.

According to the Measures for the Energy Conservation Review and Carbon Emission Assessment of Fixed Asset Investment Projects (《固定資產投資項目節能審查和碳排放評價辦法》) promulgated by the National Development and Reform Commission ("**NDRC**") on 17 July 2025 and came into effect on 1 September 2025, the review opinions on energy conservation of a fixed asset investment project are an important basis for the commencement of construction, acceptance upon completion as well as operation and management of such project. For a government-invested project, the project owner shall obtain the review opinions on energy conservation issued by the energy conservation review authority prior to submitting its feasibility study report for the project. For an enterprise-invested project, the project owner shall obtain the review opinions on energy conservation issued by the energy conservation review authority prior to the commencement of construction. For a project which has not undergone the energy conservation review or fails to pass the energy conservation review, the project owner shall not commence construction, or the project shall not be put into production or use if it is already completed.

Regulations on Fire Safety

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was last amended by the SCNPC on 29 April 2021 and took effect on the same day, the emergency management department under the State Council and the emergency management department under the local people's governments at or above the county level shall supervise and manage fire protection work. Fire prevention design and construction must comply with national technical standards for fire protection in construction projects.

According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) which was last amended by the Ministry of Housing and Urban-Rural Development of PRC on 21 August 2023 and officially came into effect on 30 October 2023, after passing the completion acceptance, the construction entity of the special construction projects shall apply for the fire prevention acceptance with examination and acceptance of fire control design authority. Without fire prevention acceptance or failing to pass the fire prevention acceptance, the construction project shall not put into use. For construction projects other than special construction projects, when the construction unit applies for a construction permit or approval of a commencement report, it shall provide fire protection design drawings and technical documentation sufficient for construction purposes, and shall file with the competent authority for the project's fire protection acceptance.

Regulations on Import and Export of Goods

According to the Foreign Trade Law of the People's Republic of China promulgated by the SCNPC on 12 May 1994, implemented on 1 July 1994, and subsequently amended on 6 April 2004, 7 November 2016, and 30 December 2022, foreign trade operators engaged in the import and export of goods or the import and export of technology shall submit documents and materials related to their foreign trade operations to the relevant authorities in accordance with the provisions lawfully established by the competent foreign trade department of the State Council or other relevant departments of the State Council.

According to the Customs Law of the People's Republic of China promulgated by the SCNPC on 22 January 1987 and subsequently amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016, 4 November 2017 and 29 April 2021, unless otherwise stipulated, import and export goods may be declared and taxed by the consignors and consignees of import and export goods on their own, or the consignors and consignees of import and export goods may entrust customs declaration enterprises registered and approved by the customs authorities to handle customs declaration procedures. Consignors and consignees of import and export goods and customs declaration enterprises shall register with the customs authorities in accordance with the law when handling customs declaration procedures.

According to the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on 19 November 2021 and came into effect on 1 January 2022, consignors and consignees of import and export goods, as well as customs declaration entities, are required to complete filing procedures with the relevant customs authorities in accordance with the law.

Regulations on Leasing

According to the Civil Code (《民法典》), an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Failure to register or file a lease contract in accordance with laws and administrative regulations shall not affect the validity of the contract. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. If the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

According to Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and became effective on 1 February 2011, parties to house leasing shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People's Government of the centrally-administered municipality, municipality or county where the leased property is located. In case of violation of the foregoing provision, the development (real estate) department of the People's Government of the centrally-administered municipality, municipality or county where the leased property is located shall order to make rectification within a time limit and imposing a fine of up to RMB1,000, and enterprise may be imposed a fine of RMB1,000 to RMB10,000 if it does not make such rectification within the limited time.

According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on 1 January 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the people's court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

Industry Standards, Policies, Laws, and Regulations Related to ESG

According to the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), which was promulgated by the Standing Committee of the National People's Congress on 1 November 1997, last amended on 26 October 2018 and implemented on the same day, any entity and individual shall fulfill the obligation to conserve energy in accordance with the law and has the right to report energy-wasting behaviours. Energy-consuming entities shall, in accordance with the principle of rational use of energy, strengthen energy conservation management, and formulate and implement energy conservation plans and technical measures to reduce energy consumption. Energy-consuming entities shall establish an energy conservation responsibility system and offer rewards to groups and individuals who have made achievements in energy conservation. Energy-consuming entities shall provide regular energy-conserving education and on-the-job energy-conserving training. Energy-consuming entities shall strengthen energy measurement management, and be equipped with and use lawfully verified and qualified energy measuring instruments in accordance with requirements. Energy-consuming entities shall establish a system for energy consumption statistics and energy utilisation analysis to implement separate measurement and statistics for the consumption of various energy types, and ensure the authenticity and completeness of energy consumption statistics. According to the Energy Law of the People's Republic of China (《中華人民共和國能源法》), which was promulgated by the Standing Committee of the National People's Congress on 8 November 2024 and came into effect on 1 January 2025, energy enterprises and energy users shall be equipped with and use energy and carbon emission measurement instruments in accordance with the relevant requirements of the PRC. Energy users shall use energy in a reasonable manner according to safe use specifications and energy conservation regulations, fulfill their obligations to save energy in accordance with the law, actively participate in energy demand response, expand green energy consumption, and consciously practice a green and low-carbon way of work and life.

Pursuant to the Environmental Protection Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on 13 September 1979, last amended in 2014 and came into effect on 1 January 2015, all entities and individuals shall have the obligation to protect the environment. Enterprises, public institutions and other producers and operators shall prevent and reduce environmental pollution and ecological damage, and bear liability in accordance with the law for any harms caused thereby. Pollution prevention and control facilities in construction projects shall be designed, constructed and put into operation simultaneously with the main projects. Such pollution prevention and control facilities shall comply with the requirements specified in the approved environmental impact assessment documents and shall not be demolished or left idle without authorization. Enterprises, public institutions and other producers and operators that discharge pollutants shall take measures to prevent and control environmental pollution and harms caused by waste gas, waste water, residue, medical waste, dust, malodorous gases, radioactive substances, as well as noise, vibration, light radiation and electromagnetic radiation generated in the course of production, construction and other activities. Enterprises and public institutions that discharge pollutants shall establish an environmental protection liability system, clarifying the responsibilities of the persons-in-charge of the entities and relevant personnel. Enterprises, public institutions and other producers and operators that discharge pollutants shall pay pollutant discharge fees in accordance with relevant national regulations. While complying with national and local pollutant discharge standards, enterprises and public institutions shall also observe the total emission control targets for key pollutants decomposed and assigned to them. Enterprises, public institutions and other producers and operators subject to such permit management shall discharge pollutants in accordance with the requirements specified in their pollutant discharge permits; no entity shall discharge pollutants without obtaining a pollutant discharge permit. No entity or individual may produce, sell, transfer or use such heavily polluting technologies, equipment or products. Enterprises and public institutions shall formulate emergency plans for sudden environmental incidents in accordance with relevant national regulations and submit such plans to the competent environmental protection departments and other relevant authorities for the record. When a sudden environmental incident occurs or is likely to occur, enterprises and

public institutions shall immediately take disposal measures, promptly notify the entities and residents that may be affected, and report the incident to the competent environmental protection departments and other relevant authorities.

In accordance with the Water Pollution Prevention and Control Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress on 11 May 1984, last amended on 27 June 2017 and implemented on 1 January 2018, all units and individuals have the obligation to protect the water environment and have the right to report acts that cause pollution damage to the water environment. Enterprises, institutions, and other producers and operators that directly or indirectly discharge industrial wastewater, medical sewage, and other wastewater or sewage that, according to regulations, require a pollutant discharge permit to be discharged, shall obtain a pollutant discharge permit. Enterprises, institutions, and other producers and operators that discharge pollutants into water bodies shall set up discharge outlets in accordance with laws, administrative regulations, and the provisions of the competent environmental protection department of the State Council. Enterprises, institutions, and other producers and operators subject to pollutant discharge permit management shall, in accordance with relevant national regulations and monitoring specifications, conduct self-monitoring of the water pollutants they discharge and retain original monitoring records. Enterprises discharging industrial wastewater shall take effective measures to collect and treat all wastewater generated to prevent environmental pollution. Industrial wastewater containing toxic or harmful water pollutants shall be collected and treated separately and shall not be diluted for discharge. Enterprises discharging industrial wastewater into centralised sewage treatment facilities shall conduct pre-treatment in accordance with relevant national regulations and may only discharge the wastewater after it meets the treatment process requirements of the centralised treatment facilities. Enterprises shall adopt clean processes that feature high raw material utilisation rates and low pollutant discharge volumes, and shall strengthen management to reduce the generation of water pollutants.

Pursuant to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), promulgated by the Standing Committee of the National People's Congress on 5 September 1987, last amended and implemented on 26 October 2018, enterprises, public institutions and other business operators shall adopt effective measures to prevent and reduce atmospheric pollution and shall bear liability for any damage caused in accordance with the law. Where enterprises, public institutions and other business operators construct projects that may affect the atmospheric environment, they shall conduct environmental impact assessments and make the relevant assessment documents publicly available in accordance with the law. Entities discharging air pollutants shall comply with the applicable emission standards and the total emission control requirements for key air pollutants. Enterprises, public institutions and other business operators that emit industrial waste gas or toxic and hazardous air pollutants listed in the catalogue referred to in Article 78 of the Law, as well as operators of coal-fired heat sources for centralised heating facilities and other entities subject to pollutant discharge permit management by law, shall obtain pollutant discharge permits. Entities that discharge air pollutants shall, in accordance with relevant laws, regulations and the provisions of the competent department of ecology and environment under the State Council, establish air pollutant discharge outlets. Enterprises, public institutions and other business operators shall, in accordance with national regulations and monitoring specifications, monitor their emissions of industrial waste gas and toxic and hazardous air pollutants listed in the catalogue referred to in Article 78 of the Law, and keep original monitoring records. Enterprises, public institutions and other business operators that generate malodorous gases during their production or business operations shall select sites in a scientific manner, maintain reasonable protective distances, and install purification facilities or adopt other measures to prevent the emission of odorous gases.

According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated by the Standing Committee of the National People's Congress on 5 July 1994 and last amended and implemented on 29 December 2018, the employer shall establish and improve rules and regulations in accordance with the law so as to ensure that employees enjoy the right

to work and fulfil labor obligations. Employees shall not be discriminated against on the grounds of nationality, race, sex or religious belief. Women shall enjoy equal employment rights to men. When recruiting employees, employers shall not refuse to employ women on the ground of their gender or impose higher recruitment standards on women, except for the jobs or positions that are not suitable for women as stipulated by the State. Where laws or regulations prescribe special provisions on the employment of persons with disabilities, ethnic minorities, or demobilized military personnel, such provisions shall prevail. Employers are prohibited from hiring minors under the age of 16. In cases where entities in the fields of culture, arts, sports, or special crafts recruit minors under the age of 16, they must comply with relevant state regulations and safeguard the minors' right to receive compulsory education. The conclusion of and amendment to a labor contract shall be in compliance with the principles of equality, voluntary participation and mutual consent, and shall not violate the principles of laws and statutory regulations. A labor contract shall become legally binding upon its lawful conclusion, and both parties must fulfill the obligations stipulated therein. The State implements a working hours system under which the daily working time for workers shall not exceed eight hours, and the average weekly working time shall not exceed forty-four hours. Employers shall ensure that workers have at least one rest day per week. If extended working hours are necessary due to operational needs, employers may do so after consultation with the trade union and the workers. Such extension generally shall not exceed one hour per day. Under special circumstances, and provided that the workers' health is protected, the extension may not exceed three hours per day, but the total extension in any month shall not exceed thirty-six hours. Employers shall not extend working hours in violation of the provisions of this law. The State implements a system of paid annual leave. Workers who have completed one consecutive year of employment or more shall be entitled to paid annual leave. Wage distribution shall follow the principle of distribution according to work and equal pay for equal work. Employers shall, in accordance with the law, autonomously determine their wage distribution methods and wage levels based on their specific production, operational characteristics, and economic performance. Employers must establish and improve the system for labor safety and sanitation, strictly implement the national protocols and procedures on labor safety and sanitation, provide education on labor safety and sanitation to employees, guard against labor safety accidents and reduce occupational hazards. Facilities for occupational safety and health must conform to the standards prescribed by the State. The employer shall provide workers with labor safety and sanitation conditions that meet State stipulations, necessary gears for labor protection, and regular health examination for workers engaged in work with occupational hazards. An employer shall develop a vocational training system. Employers shall take measures to improve collective welfare and enhance the welfare benefits of workers.

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, last amended on 28 December 2012 and came into effect on 1 July 2013, an employer shall establish and improve labor rules and regulations according to the laws, so as to ensure that workers enjoy their rights and perform their labor obligations. When an employer formulates, revises or decides on rules and regulations, or material matters, that have a direct bearing on the immediate interests of its workers, such as those concerning compensation, working hours, rest, leave, work safety and hygiene, insurance, benefits, employee training, work discipline or work quota management, the same shall be discussed by a worker representative congress or all the workers. An employer shall publicly announce the rules and systems that are directly related to the personal benefits of workers or the decisions on important matters, or inform the workers of such rules and systems and decisions. When the employer recruit workers, it shall truthfully advise the worker of the scope of work, the working conditions, the place of work, occupational hazards, production safety conditions, labor compensation and other matters requested by the worker. The employer shall strictly abide by the work quota standards, and must not force or threaten an employee in disguise to work overtime. If the employer arranges overtime duties, it shall pay overtime wage to the employee in accordance with the relevant provisions of the state. At the time of revocation or termination of a labor contract, the employer shall issue a proof of dismissal or termination of the labor contract and, within 15 days, carry out the procedures for the transfer of the worker's file and social insurance account. Where an employer is required to pay

compensation to the worker under the relevant provisions of this law, such payment shall be made upon the completion of the handover of job. The employer shall retain copies of the dismissed or terminated labor contract for at least two years for inspection purpose.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on 22 February 1993, last amended on 29 December 2018 and came into effect on the same day, producers and sellers shall establish and improve their internal product quality management systems, and rigorously implement job quality standards, quality responsibilities and corresponding measures for their assessment. An industrial product which may endanger human health and personal and property safety must meet the national standards and industry standards on protecting human health and personal and property safety; where there are no national standards and industry standards in place, the product must meet the requirements on protecting human health and personal and property safety. The producers shall be responsible for the quality of their products. The product quality shall meet the following requirements: (i) no unreasonable dangers endangering the safety of persons and property; where there are national or industry standards ensuring the health and safety of persons and property, such standards must be complied with; (ii) the product shall possess the properties it is supposed to possess, except where the product's flaws in their properties are explicitly stated; and (iii) the product shall comply with the product standards stated on the product or its packaging, and meet the quality conditions as represented in product descriptions, physical samples, etc. The sellers shall establish and implement system for inspection and acceptance of purchased goods, verifying product qualification certificates and other labels. The sellers shall take measures to maintain the quality of products sold.

According to the Bidding Law of the People's Republic of China issued by the Standing Committee of the National People's Congress on 30 August 1999, amended on 27 December 2017 and implemented on 28 December 2017, tender and bid activities shall be carried out in accordance with the principles of openness, fairness, impartiality and good faith. Tender and bid activities and their participants shall be subject to supervision conducted in accordance with the law. A bidder shall have the capability to undertake the project subject to tender. Where in relevant State regulations or bid invitation documents there are provisions governing qualifications of bidders, a bidder shall meet such qualifications. A bidder shall prepare bid documents as required by the bid invitation documents. Bidders shall not collude with each other in their bid quotations, nor shall they exclude fair competition from other bidders, or harm the legitimate rights and interests of the tenderer or other bidders. No bidder shall collude with the tenderer in bidding to the detriment of national interests, social public interests, or the legitimate rights and interests of others. Bidders are prohibited from securing the winning bid by means of bribing the tenderer or members of the bid evaluation committee. Bidders shall not compete for the award with quotations below cost, bid in the name of others, or resort to other deceptive means to defraud the award. The successful bidder shall perform its obligations in accordance with the contract and complete the awarded project. The successful bidder shall not transfer the awarded project to others, nor break up the awarded project and transfer it separately to others.

Regulations on Intellectual Property

Trademark

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) (the "**Trademark Law**"), promulgated by the Standing Committee of the National People's Congress on 23 August 1982, last amended on 23 April 2019, and effective on 1 November 2019, and the Implementing Regulation 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》), promulgated by the State Council on 3 August 2002, and subsequently amended on 29 April 2014, and effective on 1 May 2014, any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. Registered trademarks are granted a term of 10 years which may be renewed for ten years upon request by

the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Any act that infringes upon the exclusive right to use a registered trademark as referred to in Article 57 of the Trademark Law may result in the infringer being investigated and dealt with by the administrative department for industry and commerce in accordance with the law, ordered to immediately cease the infringing activities, and subject to a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the Standing Committee of the National People's Congress on 7 September 1990 and last amended on 11 November 2020, and the Regulations on the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on 30 January 2013 and implemented on 1 March 2013, Chinese citizens, legal persons or other organisations enjoy copyright in their works, including literary, artistic, engineering design, product design and computer software, as well as other intellectual achievements with the characteristics of works, whether published or not. The copyright owner of a protected work is entitled to moral rights and property rights, including the rights of publication, authorship, revision, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination through information networks, cinematography, adaptation, translation, compilation and other rights to which the copyright owner is entitled.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991 and last amended on 30 January 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002 and last amended on 1 July 2004, the National Copyright Administration is responsible for the administration of software copyright registration nationwide and has designated the China Copyright Protection Center as the registration authority. The China Copyright Protection Center shall, in accordance with the relevant regulations, issue registration certificates to applicants for software copyright registration.

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People's Congress, last amended on 17 October 2020 and implemented on 1 June 2021, together with its implementing rules, patents are categorised into three types, namely invention patents, design patents and utility model patents. The term of protection is 20 years for invention patents, 15 years for design patents and 10 years for utility model patents, each commencing from the date of application. Any exploitation of a patent without the permission of the patentee constitutes patent infringement. In handling such cases, the competent patent administration authority may order the infringer to cease the infringing act immediately. In addition to bearing civil liabilities, any person who counterfeits a patent may also be ordered to make rectification, have the illegal gains confiscated and be subject to a fine of not more than five times such illegal gains; where there are no illegal gains or the illegal gains are less than RMB50,000, a fine of not more than RMB250,000 may be imposed. Where the offence constitutes a crime, criminal liability shall be pursued in accordance with the law.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology ("**MIIT**") on 24 August 2017 and implemented on 1 November 2017, the principle of "first come, first

served" applies to domain name registration. The MIIT is responsible for the supervision of domain name services nationwide and the promotion of the domain name system in China. Upon completion of the registration procedures, the applicant becomes the holder of the relevant domain name.

Regulations on Labour and Social Welfare

Labor

The main Chinese laws and regulations regulating labor relations are the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) ("**Labor Contract Law**") and its implementing regulations, which have strict provisions on the conclusion of fixed-term labor contracts by employers, the recruitment of temporary workers, and the dismissal of employees.

The Labor Contract Law, issued by the Standing Committee of the National People's Congress on 29 June 2007, and effective as of 1 January 2008, is mainly to regulate the rights and obligations of labor relations, including the conclusion, performance, and termination of labor contracts. According to the Labor Contract Law, where an employer is about to establish or has already established a labor relationship with a worker, a written labor contract must be concluded. The employer shall not force the worker to work overtime, and must pay the worker overtime pay in accordance with national regulations. In addition, the worker's wages shall not be lower than the local minimum wage standard, and must be paid to the worker in a timely manner.

On 28 December 2012, the Labor Contract Law was amended to impose stricter regulations on the use of dispatched workers. Dispatched workers have the right to equal pay for equal work as full-time workers. The employing unit is only allowed to use dispatched workers in temporary, auxiliary, or substitute positions. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on 24 January 2014, and effective on 1 March 2014, the number of dispatched workers used by the employing unit shall not exceed 10% of its total number of employees.

Social Insurance

The Social Insurance Law of the People's Republic of China (the "**Social Insurance Law**"), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, and last amended on 29 December 2018, establishes social insurance systems such as basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, and details the legal obligations and responsibilities of premium-paying units that do not comply with the relevant social insurance laws and regulations.

According to the Social Insurance Law and the Interim Regulations on the Collection and Payment of Social Insurance Premiums promulgated by the State Council on 22 January 1999, and last amended and effective on 24 March 2019, enterprises shall go through social insurance registration with the local social insurance agencies, and pay or withhold the relevant social insurance for their employees or on behalf of their employees. Where a premium-paying unit fails to go through social insurance registration, change registration, or cancellation registration as required, or fails to declare the amount of social insurance premiums payable as required, the labor security administrative department shall order it to make corrections within a time limit; where the circumstances are serious, a fine shall be imposed on the directly responsible persons in charge and other directly responsible personnel. Where a premium-paying unit refuses to pay social insurance premiums and late fees overdue, the labor security administrative department or the tax authority shall apply to the people's court for compulsory collection in accordance with the law.

Housing Provident Fund

According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999, and amended on 24 March 2002 and 24 March 2019, enterprises must register at the designated administrative centres and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing provident fund administrative centre. Where employers fail to make payment within such period, enforcement by the people's court may be applied for.

In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund administrative centre shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

Regulations on Taxes

EIT

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the SCNPC on 6 March 2007 and last amended on 24 February 2017 and 29 December 2018 and came into force on the same day, and the Regulation on the Implementation 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》) promulgated by the State Council and last amended in December 2024, (collectively referred to as the "**Enterprise Income Tax Law**"), a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

VAT

According to the Value-added Tax Law of the PRC promulgated by the SCNPC on 25 December 2024 and came into force and implemented on 1 January 2026 (not yet effective, the "**VAT Law**"), the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council and last amended on 19 November 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance and last amended on 28 October 2011 and effective from 1 November 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax.

According to the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective on 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening VAT Reform (《財政部、稅務總局、海關總署關于深化增值稅改革有關政策的公告》) promulgated on 20 March 2019 and effective from 1 April 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers who have VAT taxable sales activities or imported goods shall be adjusted to 13% and 9%, respectively.

Dividend Distribution

The principal laws, rules and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the PRC (《中華人民共和國公司法》) promulgated in 1993 and last amended in 2023, and the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) and its implementation regulations. Under such regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit (if any) as defined by Chinese accounting standards and regulations. A PRC company is required to set aside certain capital reserves at least 10% of its accumulated after-tax profit annually, until the cumulative amount of such reserves reaches 50% of its registered capital. A PRC company shall not distribute any profits until any losses from the previous financial year have been offset. Profits retained from the previous financial year may be distributed together with distributable profits from the current fiscal year.

Pursuant to the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) promulgated by the NPC on 9 April 1991, last amended on 1 September 2023 and effective from 1 January 2024, the limitation period for an action to recover a debt (including the recovery of declared dividends) is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) last amended on 31 August 2018 and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) last amended on 18 December 2018, dividends distributed by the PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

According to the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), since 1 January 2008, an enterprise income tax rate of 10% shall normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless the jurisdiction in which such non-PRC resident investors are incorporated has a tax treaty with the PRC that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Regulation on Foreign Investment

The Company Law of the PRC (《中華人民共和國公司法》), promulgated by the Standing Committee of the National People's Congress of the PRC on 29 December 1993, last amended on 29 December 2023 and came into effect on 1 July 2024, governs the establishment, operation and management of companies in the PRC, including foreign-invested companies. Unless foreign

investment laws provide otherwise, foreign invested companies shall abide by the Company Law of the PRC.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on 1 January 2020, the State Council establishes a foreign investment information report system. Foreign investors or foreign–funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system. The contents and scope of foreign investment information report shall be determined under the principle of necessity; it is not allowed to require the submission again of any investment information that can be obtained by interdepartmental information sharing. For foreign investment enterprises investing in China and establishing an enterprise (including multi–level investment), upon completion of registration filing and submission of annual report information to the market regulatory authorities, the relevant information shall be forwarded by the market regulatory authorities to the commerce administrative authorities, and these enterprises are not required to submit separately.

Foreign investment in China is subject to the Catalogue of Industries for Encouraged Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022版)) revised on 26 October 2022 and taking effective from 1 January 2023, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Edition) (the "**Negative List**") (《外商投資准入特別管理措施(負面清單》(2024年版)) revised on 6 September 2024 and taking effective from 1 November 2024, both promulgated by the National Development and Reform Commission and the Ministry of Commerce (the "**MOFCOM**"). Pursuant to the Negative List, a foreign investor shall not invest in any field prohibited from foreign investment under the Negative List. A foreign investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List. Fields not on the Negative List are generally deemed "permitted" for foreign investment.

According to the Measures for the Security Review of Foreign Investments (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on 19 December 2020 and implemented on 18 January 2021, security review shall be conducted in accordance with the provisions of these measures for foreign investments that affect or may affect national security. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

Regulations on Foreign Exchange

Regulation on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended and implemented on 5 August 2008. Under the PRC Foreign Exchange Regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投

資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") on 30 March 2015, and it became effective on 1 June 2015, which was partially repealed on 30 December 2019, and last amended on 23 March 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the Circular on the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), amended on 4 December 2023, which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, SAFE issued the Circular on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "SAFE Circular 28"), amended on 4 December 2023, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "SAFE Circular 8"), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 are still subject to substantial uncertainties given they are newly issued regulations.

Pursuant to the Announcement on the Tax Credit Policy for Foreign Investors Using Distributed Profits for Direct Investment (《財政部、國家税務總局、商務部關於境外投資者以分配利潤直接投資税收抵免政策的公告》) jointly issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Commerce on 27 June 2025 and effective from 1 January 2025, foreign investors who directly reinvest in the PRC with profits distributed by PRC resident enterprises between 1 January 2025 and 31 December 2028 and meet the relevant conditions may claim a tax credit equal to 10% of the investment amount against their PRC corporate income tax payable for the year in which the investment is made; any unused credit may be carried forward to subsequent years. Where the tax treaty concluded between the Government of the People's Republic of China and the government of the foreign investor's jurisdiction offers a tax rate lower than 10% on dividends, bonuses and other equity investment income, the treaty rate shall apply.

Regulations on Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), promulgated by SAFE on 15 February 2012, employees, directors, supervisors, and other senior management participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted

institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

The income of foreign exchange PRC residents obtained by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions.

Regulations on Securities Offering and Overseas Listings

The Securities Law of the PRC (中華人民共和國證券法) (the "**Securities Law**"), which was promulgated by the SCNPC on 29 December 1998, last amended on 28 December 2019 and came into effect on 1 March 2020, comprehensively regulates activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The China Securities Regulatory Commission (the "**CSRC**") is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issuance and trading of H shares shall comply with relevant provisions of the State Council and the CSRC.

Regulations on Overseas Listings

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines (together with the Overseas Listing Trial Measures, the "**Overseas Listing Provisions**") on 17 February 2023, pursuant to which, domestic companies that seek to offer or list their securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

OVERVIEW

Our history can be traced back to 2009, when Mr. Liu and Ms. Li, our founders, established our Company formerly known as Zibo Baogai Construction Material Co. Ltd.* (淄博寶蓋建材有限公司) ("**Zibo Baogai**"), in Zibo, Shandong Province, the PRC, as a limited liability company under the PRC Company Law. Specializing in composite trench covers primarily for engineering and infrastructure applications, Zibo Baogai laid the foundation for our growth and was converted into a joint stock limited company under the PRC Law in May 2019 and renamed as Shandong Baogai New Materials Technology Co., Ltd.* (山東寶蓋新材料科技股份有限公司). Subsequently, our Company was quoted on the NEEQ under the stock code of 874551 in September 2024.

Through years of continuous innovation and operational excellence, we have established ourselves as a market leader in China's composite trench cover industry. According to Frost & Sullivan, we ranked first in China's cable trench cover and composite cable trench cover industries by market share, and ranked third in the trench cover industry by market share in 2025.

KEY BUSINESS MILESTONES

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

Year	Milestone
2009	Our Company was established, focusing on sales and production of composite manhole cover products.
2011	We commenced production of composite cable trench cover for substations. We pioneered the development of cable trench cover products, one of our flagship products which have since evolved into the third-generation.
2018	Our Company was first recognized as a high-tech enterprise (高新技術企業) by the Department of Science & Technology of Shandong Province (山東省科學技術廳), Provincial Department of Finance (山東省財政廳) and Shandong Provincial Tax Service, State Taxation Administration (國家税務局山東省税務局).
2020	We were recognised by the China Composites Industry Association (中國複合材料工業協會) as having held the top domestic market share in the PRC, for four consecutive years. We led the development of Technical Specifications for Composite Cable Trench Covers* (《複合材料電纜溝蓋板技術規範》) enterprise standard (企業標準).
2021	Zhongdian (Shandong) was first recognized as a high-tech enterprise by the Department of Science & Technology of Shandong Province, Provincial Department of Finance and Shandong Provincial Tax Service, State Taxation Administration. Our Company was accredited with: • Shandong Province's Third Batch of Technology-Based Small and Medium-Sized Enterprises to be Included in the Database in 2021* (山東省2021年第三批擬入庫科技型中小企業) by the Department of Science & Technology of Shandong Province (山東省科學技術廳);

Year	Milestone
	• Gazelle Enterprises in 2021* (2021年度瞪羚企業) by the Department of Industry and Information Technology of Shandong Province (山東省工業和信息化廳); and • Shandong Province's Specialized – Refined – Unique – Innovative Small and Medium-sized Enterprises in 2021* (2021年度山東省「專精特新」中小企業) by the Department of Industry and Information Technology of Shandong Province (山東省工業和信息化廳).
2022	Our Company led the development of Composite Cable Trench Cover (《複合材料電纜溝蓋板》) T/CIA 002-2022 group standard (團體標準). Our subsidiary Shandong Baoding was established in Shandong.
2024	Our Company led the development of Smart City Smart Manhole Cover Service Function and Operation Management Specifications (《智慧城市智慧井蓋服務功能與營運管理規範》) T/CIET 381-2024 group standard. We participated in the drafting of the 2024 Fiber-reinforced Composite Shell for EV Charging Equipment (《電動汽車充電設備用纖維增強複合材料殼體》) T/CIA 0008-2024 group standard. Our Non-H Shares became quoted on NEEQ under the stock code of 874551.

OUR CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

Establishment of our Company

On 22 January 2009, Zibo Baogai was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB2,000,000.00, which was fully paid up by Mr. Liu and Ms. Li by April 2010. As at the time of its establishment, Zibo Baogai was owned as to 60% by Mr. Liu and 40% by Ms. Li.

Major Shareholding and Corporate Changes Prior to May 2019

Capital Increase in November 2015

In November 2015, the registered capital of our Company was increased from RMB2,000,000.00 to RMB80,000,000.00, where Mr. Liu and Ms. Li subscribed additional registered capital of RMB46,800,000.00 and RMB31,200,000.00, respectively, which was fully paid up by Mr. Liu and Ms. Li by August 2018. Following the capital injection, Mr. Liu and Ms. Li remained shareholding as to 60% and 40% of the equity of our Company, respectively.

Change of Company Name in December 2015 and June 2017

Our Company was renamed as Shandong Baogai Construction Material Co., Ltd.* (山東寶蓋建材有限公司) in December 2015, and subsequently renamed as Shandong Baogai New Materials Technology Co., Ltd. (山東寶蓋新材料科技有限公司) in June 2017.

Capital Reduction of our Company in April 2019

In April 2019, the registered capital of our Company was reduced from RMB80,000,000.00 to RMB22,000,000.00, where Mr. Liu and Ms. Li reduced their contribution in our Company's registered capital to RMB13,200,000.00 and RMB8,800,000.00, respectively. Following the capital reduction, the shareholding structure remained unchanged, with Mr. Liu holding 60% and Ms. Li holding 40% of the equity of our Company.

Conversion into Joint Stock Limited Company in May 2019

Pursuant to a promoters' agreement dated May 2019 entered into by all the then Shareholders and shareholders' resolutions dated May 2019, all promoters of our Company (being Mr. Liu and Ms. Li) agreed to convert our Company from a limited liability company into a joint stock limited company. According to an audit report of our Company issued by an independent accounting firm in May 2019, the audited net assets value of our Company as of 30 April 2019 amounted to RMB22,593,479.97, among which (i) RMB22,000,000.00 was converted into 22,000,000 Shares with a nominal value of RMB1.0 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion; and (ii) the remaining amount of RMB593,479.97 was recorded as capital reserves of our Company. The conversion was completed in May 2019 when our Company was renamed as Shandong Baogai New Materials Technology Co., Ltd.* (山東寶蓋新材料科技股份有限公司). The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

Shareholder(s)	**Number of Shares**	**Corresponding equity interest in our Company** *(%)*
Mr. Liu	13,200,000	60.0
Ms. Li[(1)]	8,800,000	40.0
Total	22,000,000	100.0

Note:

(1) Ms. Li is the spouse of Mr. Liu.

Our PRC Legal Adviser has confirmed that with respect to the conversion of our Company into a joint stock company with limited liability, we have completed all the necessary registration filing procedures in compliance with the relevant PRC laws and regulations in all material respect, and such conversion was properly and legally completed.

Subsequent Major Shareholding Changes of our Company after Conversion into a Joint Stock Limited Company

Establishment of Employee Shareholding Platform and Capital Increase in December 2019

Baocheng was established as our employee shareholding platform in December 2019. Pursuant to a shareholders' resolutions dated December 2019, the registered capital of our Company was increased by RMB3,000,000.00 as a result of the subscription of 3,000,000 Shares by Baocheng at the subscription price of RMB1.0 per Share.

As of the Latest Practicable Date, the shareholding structure of Baocheng is as follows:

Names of partners of Baocheng	**Contribution percentage in Baocheng** *(%)*
Li Xiaoke[(1)]	15.00
Mr. Liu[(2)]	12.54
Liu Dongming	7.20
Liu Benlu	7.00
Yang Dawei[(3)]	5.67
Liu Yan[(4)]	5.00
Zhu Haiyan	3.90
Sun Ailing[(5)]	3.83
Zhai Junxiang	3.67
Zhang Jicheng[(6)]	3.40
Zhu Mingxi	3.17
Chu Longtian[(7)]	2.38
Li Dong[(8)]	2.38
Liu Donghui[(9)]	2.00
Ding Dehai	1.80
Fan Hongyan[(10)]	1.67
Chen Bo	1.60
Zhang Daobo	1.60
Jia Gangchuang	1.60
Wang Guangpo	1.50
Bian Tianming	1.47
Gui Yuan	1.33
Li Yungang	1.33
Zhang Xiaoli	1.17
Niu Yuxin	1.13
Yu Xianhuai	1.00
Xu Kai	1.00
Hou Baojin	1.00
Wei Guolin	0.67
Jia Qiang	0.67
Huang Lihan	0.50
Liu Zengping	0.33
Cai Younian	0.33
Liang Hui	0.33
Wang Dengju	0.17
Wei Dongqing	0.17
Zhang Yongjun	0.17
Xie Binyun	0.17
Feng Xijun	0.17
Total	**100.0**

Notes:

(1) Li Xiaoke is the director of two subsidiaries of the Company, namely Zhongdian (Shandong) (since December 2019) and Shandong Baoding (since February 2022); Li Xiaoke had also been the company secretary and one of the directors of the Company from May 2019 to June 2022.

(2) Mr. Liu has been a director of the Company since its establishment.

(3) Yang Dawei has been appointed as the chairman of the supervisory committee of the Company since May 2019.

(4) Liu Yan has been the supervisor of Zhongdian (Shandong) since December 2019.

(5) Sun Ailing has been appointed as a director of the Company since June 2022, the supervisor of the Company from May 2019 to June 2022 and the supervisor of Shandong Baoding (a subsidiary of the Company) since February 2022.

(6) Zhang Jicheng has been appointed as a supervisor of the Company since June 2022.

(7) Chu Longtian has been appointed as the director of Xi'An Baogai (a subsidiary of the Company) since August 2021.

(8) Li Dong has been appointed as the company secretary and a director of the Company from June 2022.

(9) Liu Donghui has been appointed as the supervisor of Xi'An Baogai (a subsidiary of the Company) since May 2022.

(10) Fan Hongyan has been appointed as a director of the Company from February 2023.

Capital Increase of our Company in June 2021

In June 2021, the registered share capital of our Company increased by RMB6,000,000.00. Pursuant to a capital increase agreement in June 2021, Mr. Liu and Dou Yufeng each agreed to subscribe for 3,000,000 Shares of our Company at a subscription price of RMB2.50 per Share, which was determined with reference to our Company's net asset value per Share at that time and was fully paid up by June 2021. See "History, Development and Corporate Structure – Pre-**[REDACTED]** Investment". The following table sets out the shareholding structure of our Company immediately after completion of the capital increase:

Shareholder(s)	**Number of Shares**	**Corresponding equity interest in our Company** *(%)*
Mr. Liu[(1)]	16,200,000	52.26
Ms. Li	8,800,000	28.39
Baocheng	3,000,000	9.68
Dou Yufeng[(1)]	3,000,000	9.68
Total	**31,000,000**	**100.0**

Note:

(1) In June 2021, when our Company previously considered applying for a listing on the ChiNext Market of the Shenzhen Stock Exchange, Dou Yufeng was engaged to hold shares on behalf of Mr. Liu to facilitate share reductions after listing amid the regulations on major shareholder reductions. Dou Yufeng and Mr. Liu entered into nominee arrangement over 2,000,000 shares of our Company by entering into a share entrustment agreement since June 2021 (the "**Share Entrustment Agreement**"). It was further stipulated that (i) Dou Yufeng would delegate his voting rights on such shares to Mr. Liu, (ii) Mr. Liu would be the sole beneficiary of all associated rights and economic returns, including but not limited to cash dividends and proceeds from any share disposals, and (iii) the cash dividends corresponding to the shares held on behalf of the company belong to Mr. Liu when the company distributes profits. Pursuant to the Share Entrustment Agreement, it was agreed that amongst the 3,000,000 shares of our Company owned by Dou Yufeng, Dou Yufeng would hold 2,000,000 shares of our Company for and on behalf of Mr. Liu. The nominee arrangement was originally intended to provide more flexibility in managing post-listing share reductions within the framework of the NEEQ regulations governing major shareholder reductions, as we were considering quoting on the NEEQ. However, the nominee arrangement was terminated in August 2023 prior to our quoting on the NEEQ. See "History, Development, and Corporate Structure – Subsequent Major Shareholding Changes of our Company after Conversion into a Joint Stock Limited Company – Share Transfer in August 2023".

Equity Distribution in June 2021

In July 2021, our Company completed an equity distribution, giving out four (4) bonus shares of our Company for every ten (10) shares of our Company held with respect to all then existing shareholders. As a result, the registered capital of our Company was increased from RMB31,000,000.00 to RMB43,400,000.00. The following table sets out the shareholding structure of our Company immediately after completion of the equity distribution as mentioned above:

Shareholder(s)	**Number of Shares**	**Corresponding equity interest in our Company** *(%)*
Mr. Liu[(1)]	22,680,000	52.26
Ms. Li	12,320,000	28.39
Baocheng	4,200,000	9.68
Dou Yufeng[(1)]	4,200,000	9.68
Total	**43,400,000**	**100.0**

Note:

(1) With respect to the nominee arrangement under the Share Entrustment Agreement, owing to the equity distribution, the number of shares of our Company held by Dou Yufeng on behalf of Mr. Liu under such nominee arrangement became 2,800,000.

Share Transfer in August 2023

In August 2023, the nominee arrangement between Dou Yufeng and Mr. Liu under the Share Entrustment Agreement was terminated and the shareholding status was reinstated by virtue of a share transfer agreement entered into between Mr. Liu and Dou Yufeng, pursuant to which Dou Yufeng transferred 2,800,000 shares of our Company to Mr. Liu at nil consideration.[(1)] Accordingly, the following table sets out the shareholding structure of our Company immediately after completion of the share transfer as mentioned above:

Shareholder(s)	**Number of Shares**	**Corresponding equity interest in our Company** *(%)*
Mr. Liu[(1)]	25,480,000	58.71
Ms. Li	12,320,000	28.39
Baocheng	4,200,000	9.68
Dou Yufeng[(1)]	1,400,000	3.23
Total	**43,400,000**	**100.0**

Note:

(1) In 2023, we in preparation for our Company's quotation on the NEEQ, Mr. Liu was advised that the nominee arrangement between Dou Yufeng and Mr. Liu under the Share Entrustment Agreement did not fully align with applicable NEEQ regulatory requirements on major shareholder reductions, therefore, such arrangement was immediately terminated to ensure full compliance with applicable regulatory requirements.

Note:

(1) In August 2023, Mr. Liu and Dou Yufeng executed a termination agreement to terminate the nominee arrangement under the Share Entrustment Agreement. Immediately prior to the **[REDACTED]**, Dou Yufeng held 1,400,000 shares in the Company, representing 3.23% of the total equity.

PRE-[REDACTED] INVESTMENT

Overview

Our Company has obtained investment from Dou Yufeng through the capital increase in June 2021. See "History – Subsequent Major Shareholding Changes of our Company after Conversion into a Joint Stock Limited Company – Capital Increase of our Company in June 2021".

Principal terms of the pre-[REDACTED] investment

The following table sets forth the principal terms of the pre-**[REDACTED]** investment by Dou Yufeng:

Date of agreement	June 2021
Amount of consideration paid	RMB2,500,000
Basis of determination of consideration	Determined after arm's length negotiation with reference to, among others, business prospect and our Company's net asset value per Share at that time.
Payment date of consideration	23 June 2021
Cost per share	RMB2.50
Discount to the [REDACTED](1)	**[REDACTED]**
Shareholding held upon [REDACTED](2)	**[REDACTED]**
[REDACTED] from the pre-[REDACTED] investment	As of the Latest Practicable Date, we have utilized all the proceeds obtained from the pre-**[REDACTED]** investment for working capital and general corporate purposes.
Special rights	No special right was granted to Dou Yufeng.
Strategic benefits to our Company	At the time of the pre-**[REDACTED]** investment, our Directors were of the view that our Company could benefit from the additional funds provided by Dou Yufeng's investment in our Company.
Share-based payments	The pre-**[REDACTED]** investment is not in the form of share-based payment.
Lock-up Period and public float	Dou Yufeng will not be subject to any lock-up period after **[REDACTED]**.

As Dou Yufeng is not a core connected person of our Company and his investment was not financed directly or indirectly by any core connected person of our Company, his shareholding in our Company will be counted as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

Notes:

1. The discount is based on the midpoint of indicative **[REDACTED]** range of HK$[7.3] and the indicative exchange rate of RMB[0.8695] to HK$1.00.

2. Assuming the **[REDACTED]** is not exercised.

Background information of Dou Yufeng

Dou Yufeng is an individual investor. We became acquainted with Dou Yufeng through Mr. Liu, our founder, Executive Director and Chairman, in 1981. Mr. Liu and Dou Yufeng were classmates and have known each other for more than forty years. Owing to their long-standing friendship, Dou Yufeng has a high degree of trust in Mr. Liu, and has a good understanding of our Company. Dou Yufeng invested in our Company because he is optimistic about the potential growth and bright prospects of the trench cover industry in the PRC. To the best knowledge and information of our Directors, Dou Yufeng is an Independent Third Party.

Sole Sponsor's Confirmation

On the basis that (i) the pre-**[REDACTED]** investment was irrevocably settled more than 120 clear days before **[REDACTED]**, and (ii) no special right was granted to Dou Yufeng in connection with the pre-**[REDACTED]** investment, the Sole Sponsor confirms that the investment by Dou Yufeng is in compliance with Chapter 4.2 of the Guide published by the Stock Exchange.

OUR SUBSIDIARIES

As of the Latest Practicable Date, our Company had three subsidiaries. The principal business activities, registered capital, date and place of establishment of each of our subsidiaries are set forth below.

Zhongdian (Shandong)

Zhongdian (Shandong) was established in Shandong, the PRC as a limited liability company in December 2019 with an initial registered capital of RMB30,000,000.00, which was fully paid up by June 2021. Upon its establishment and as of the Latest Practicable Date, Zhongdian (Shandong) was wholly-owned by our Company.

As of the Latest Practicable Date, there had been no change in registered capital since Zhongdian (Shandong)'s establishment.

As of the Latest Practicable Date, Zhongdian (Shandong) is principally engaged in the production and sales of composite trench cover products.

Xi'An Baogai

Xi'An Baogai was established in Shaanxi, the PRC as a limited liability company in September 2021 with an initial registered capital of RMB20,000,000.00.

Initially, Xi'An Baogai had our Company and Xi'An Hongneng Electric Technology Development Co. Ltd.* (西安宏能電力技術開發有限公司) as its shareholders, and the registered

capital payable by these two shareholders had been RMB10,200,000.00 and RMB9,800,000.00. By March 2022, the Company had paid RMB2,750,000.00 and Xi'An Hongneng Electric Technology Development Co. Ltd.* (西安宏能電力技術開發有限公司) had paid RMB2,250,000.00. In February 2022, a shareholders' resolutions of our Company were passed and it was resolved to acquire the entire equity interests owned by Xi'An Hongneng Electric Technology Development Co. Ltd.* (西安宏能電力技術開發有限公司) at the consideration of RMB2,250,000.00, and the acquisition was completed in May 2022. From then on and as of the Latest Practicable Date, Xi'An Baogai was wholly-owned by our Company.

The registered capital of Xi'An Baogai had been reduced in September 2022 to RMB10,000,000.00, which was fully paid up by our Company in December 2022.

As of the Latest Practicable Date, Xi'An Baogai is principally engaged in the production and sales of composite trench cover products.

Shandong Baoding

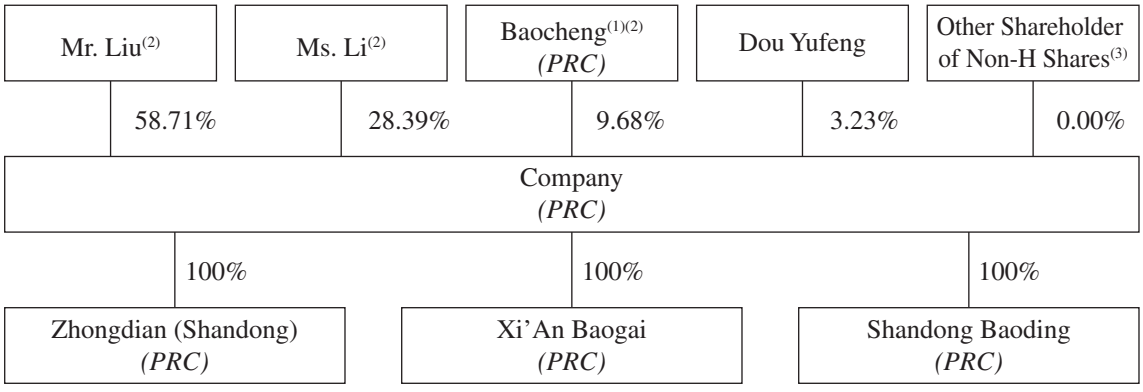
Shandong Baoding was established in Shandong, the PRC as a limited liability company in February 2022 with an initial registered capital of RMB5,000,000.00, RMB3,500,000.00 of which was paid up by November 2022. Upon its establishment and as of the Latest Practicable Date, Shandong Baoding was wholly-owned by our Company.

As of the Latest Practicable Date, there had been no change in registered capital since Shandong Baoding's establishment and its registered capital had not been fully paid-up as it is not due until 21 February 2030 according to its articles of association. Our PRC Legal Adviser has confirmed that even though the registered capital of Shandong Baoding has not been fully paid up as of the Latest Practicable Date, such non-payment was not in violation of any applicable PRC law.

As of the Latest Practicable Date, Shandong Baoding is principally engaged in the production and sales of molds for trench cover products.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY BEFORE THE [REDACTED]

The following chart sets forth the approximate shareholding and corporate structure of our Group as of the Latest Practicable Date:



Notes:

(1) See "Subsequent Major Shareholding Changes of our Company after Conversion into a Joint Stock Limited Company – Establishment of Employee Shareholding Platform and Capital Increase in December 2019" in this section for details.

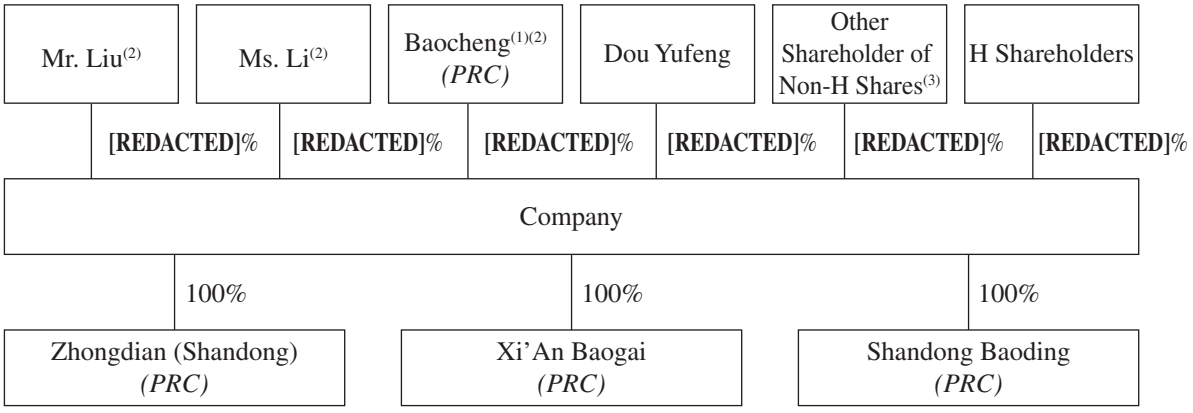
(2) As (i) Ms. Li is the spouse of Mr. Liu; and (ii) Mr. Liu is the sole general partner of Baocheng where he is responsible for management and exercising the voting rights attaching to the Shares held by Baocheng, Mr. Liu, Ms. Li and Baocheng are considered to be a group of Controlling Shareholders, collectively controlling 96.78% of the Shares.

(3) As of the Latest Practicable Date, the other Shareholder of Non-H Shares is an individual Shareholder holding 199 Domestic Shares, which, to the best knowledge of our Directors, is an Independent Third Party.

(4) The shareholding percentages are rounded to the nearest 2 decimal places, and the total number of the percentages may not add up to 100% due to rounding.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED]

The following diagram sets out our simplified shareholding structure immediately after completion of the **[REDACTED]** (without taking into account any exercise of the **[REDACTED]**):



Note: Please refer to the notes under "Shareholding and Corporate Structure Immediately Before the **[REDACTED]**" in this section above.

PREVIOUS LISTING ATTEMPT

As part of our business planning on development and financing, we preliminarily explored the feasibility of a potential initial public offering on the ChiNext Board of the Shenzhen Stock Exchange in November 2020 (the "**Previous Listing Attempt**"). In light of such business planning, we engaged various professional parties to conduct legal and financial due diligence and to assess, on an indicative basis, whether we could meet the relevant listing criteria and were suitable to proceed with the Previous Listing Attempt. Following such legal and financial due diligence, we decided to focus our resources on the quotation of NEEQ and not to proceed with the Previous Listing Attempt at that time. All relevant exploratory work in relation to the Previous Listing Attempt was terminated in May 2023.

To the best of their knowledge of the Directors and Sole Sponsor, and based on the independent due diligence performed by the Sole Sponsor, the Directors and the Sole Sponsor confirm that they are not aware of any other matters that need to be brought to the attention of the Stock Exchange or the potential **[REDACTED]** in relation to the Previous Listing Attempt.

REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Our Non-H Shares are currently quoted on the NEEQ. We are seeking a **[REDACTED]** of our H Shares on the Stock Exchange in order to utilise the overseas financing platform to enhance our international profile, raise capital for our business development, advance our international strategies, and further expand our capital structure. For further details of our future plans, see "Future Plans and **[REDACTED]**" and "Business" in this document.

Furthermore, the Directors of our Company believe that a **[REDACTED]** status could enhance our corporate image, brand awareness and creditworthiness, (i) attracting more customers to enter into deals with our Company; (ii) strengthening our ability to negotiate more favourable terms with our customers, suppliers and counterparts; and (iii) attracting more experienced talents to join our Group, which is essential for the implementation of our future plans and expansion of business.

To the best knowledge of our Directors and the Sole Sponsor, since our Company's quotation (in respect of our Non-H Shares) on the NEEQ and up to the Latest Practicable Date, (i) our Company had been in compliance with all applicable laws and regulations as well as rules and regulations of the NEEQ in all material respects; (ii) our Group had not been subject to any material investigations or disciplinary action by the relevant regulators in this respect; and (iii) there are no other matters in relation to our quotation on the NEEQ that need to be brought to the attention of our Shareholders, potential **[REDACTED]** or the Stock Exchange.

Our Company confirms that we had not been subject to administrative penalty, administrative supervision measures, or self-regulatory measures by the NEEQ or other competent securities regulatory authorities from the commencement of all issued Non-H Shares being quoted on the NEEQ and up to the Latest Practicable Date.

SHARE TRANSFER RESTRICTIONS AND LOCK-UP UNDERTAKINGS BY OUR SHAREHOLDERS

In accordance with the PRC Company Law, the shares issued prior to any **[REDACTED]** of shares by a company cannot be transferred within one year from the date on which such publicly **[REDACTED]** are **[REDACTED]** and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares pursuant to the **[REDACTED]** (including the Shares held by our Controlling Shareholders) will be subject to such statutory restriction on transfer within a period of one year from the **[REDACTED]**.

As our Non-H Shares are quoted on NEEQ, our shareholders are subject to the transfer restrictions in the Business Rules of the NEEQ System (for Trial Implementation) (《全國中小企業股份轉讓系統業務規則(試行)》), which provide that our Shares directly or indirectly held by the controlling shareholders and the actual controllers of our Company prior to all issued Non-H Shares being quoted on the NEEQ shall be released from transfer restrictions equally in three batches on each of the quoting date on the NEEQ and the first and second anniversaries of the quoting date on the NEEQ.

In addition, each of our Controlling Shareholders will, prior to the **[REDACTED]**, provide a non-disposal undertaking pursuant to Rule 13.16A of the GEM Listing Rules and the **[REDACTED]** (See "**[REDACTED]**" for further details). In accordance with the PRC Company Law, our Directors, Supervisors and members of the senior management (as defined under the Articles of Association) of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by such Directors, Supervisors and members of the senior management each year during their term of office determined at the time of assuming office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are **[REDACTED]**, nor within half a year after they leave their positions in our Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and as of the Latest Practicable Date, our Group did not have any major acquisitions, disposals or mergers.

PUBLIC FLOAT AND FREE FLOAT

Satisfaction of the Public Float Requirement

Rule 25.07A of the GEM Listing Rules requires that there must be an open market in the securities for which listing is sought. Where a new applicant is a PRC issuer with no other listed shares at the time of listing, where the expected market value of the class of shares to which H shares belong at the time of listing does not exceed HK$6,000,000,000, at least 25% of the total number of shares in the class to which H shares belong must all times be held by the public.

Our Non-H Shares are quoted on NEEQ. The total number of the H Shares to be issued pursuant to the **[REDACTED]** represents approximately **[REDACTED]**% of the total issued share capital of our Company. Immediately following the completion of the **[REDACTED]**, the total number of the Shares expected to be held by the **[REDACTED]** represents approximately **[REDACTED]**% of the total issued share capital of our Company, which is higher than the prescribed percentage of H Shares required to be held in public hands of 25.00% under Rule 25.07A(2)(b) of the GEM Listing Rules thereby satisfying Rule 11.23(7) (as amended and replaced by Rule 25.07A) of the GEM Listing Rules.

Satisfaction of the Free Float Requirement

Rule 11.23A (as amended and replaced by Rule 25.07B) of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the GEM Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing, with an expected market value at the time of listing of not less than HK$15,000,000.00; or (b) have an expected market value at the time of listing of not less than HK$600,000,000.00.

Our Company is expected to satisfy the free float requirement under Rule 11.23A (as amended and replaced by Rule 25.07B) of the GEM Listing Rules.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Compliance with PRC laws and regulations

Our PRC Legal Adviser has confirmed that the shareholding structure and changes, capital increase and share transfers in respect of our Company and our subsidiaries in the PRC above have been registered with local registration authorities of the PRC in accordance with applicable PRC laws and regulations.

Regulations on Overseas Listing

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines, which came into effect on 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the "**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Subject to specific circumstances, the Overseas Listing Trial Measures require that, among other things, (i) initial public offerings or listings on overseas markets shall be filed with the CSRC within three working days after the relevant listing application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer

on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas. Our PRC Legal Adviser is of the view that we are required to submit filings with the CSRC within three business days after we submit the **[REDACTED]** application for the **[REDACTED]**. See "Information about this Document and the **[REDACTED]** – CSRC Filing" in this document.

* *For identification purposes only*

OVERVIEW

Founded in 2009, we have established ourselves as a specialized manufacturer in China's composite trench cover industry, specializing in composite trench cover products primarily for engineering and infrastructure needs. The composite materials we utilize are primarily resin-based composites embedded with glass fibers as reinforcing materials complemented by additional structural elements like rebar and cast iron, and functional fillers such as quartz sand and calcium carbonate. Our comprehensive product portfolio primarily includes cable trench covers, drainage trench covers, and manhole trench covers, serving essential sectors such as power, transportation, municipal utilities, hydraulics, real estate, and petrochemical engineering across China. According to Frost & Sullivan, we ranked first in China's cable trench cover and composite cable trench cover industries by market share, and ranked third in the trench cover industry by market share in 2025.

Our accomplishments in the composite trench cover industry have been formally recognized by the China Composites Industry Association (中國複合材料工業協會), most notably through maintaining our top market share position for composite cable trench cover products for four consecutive years since 2020, solidifying our position as one of the leading enterprises in China's composite trench cover industry. Through our proprietary R&D framework integrating polymer materials science, applied mechanics, and mechanical engineering principles, we have secured 69 core patents and taken a leadership role in industry standardization. We have led the development of Technical Specifications for Composite Cable Trench Covers* (《複合材料電纜溝蓋板技術規範》) an enterprise standard in 2020, along with the T/CIA 002-2022 Composite Cable Trench Cover* (《複合材料電纜溝蓋板》), an industry group standard in 2022 and T/CIET 381-2024 Smart City Smart Manhole Cover Service Function and Operation Management Specification* (《智慧城市智慧井蓋服務功能與營運管理規範》), an industry group standard in 2024. In August 2024, our expertise, profound industry experience and market position were further recognized through the participation in drafting the T/CIA 0008-2024 Fiber reinforced Composite Shell for EV Charging Equipment (《電動汽車充電設備用纖維增強複合材料殼體》) group standard. Leveraging the experience know-how accumulated in the composite trench cover industry, we are strategically expanding the application of composite materials, in particular, glass fibers and carbon fibers as reinforcing materials, into new high-value sectors, including the EV charging industry, EV manufacturing industry and low-altitude economy industry.

Since inception, we have prioritized technological innovation and quality excellence, continuously enhancing composite material performance and manufacturing processes. This focus has enabled us to build an integrated system for R&D, production management, and quality control, which allows us to meet stringent customer requirements and cultivate long-term customer relationships.

Our products have been deployed in the following landmark infrastructure developments, such as Shanghai and Chongqing UHV substations (上海、重慶特高壓變電站), the Sichuan-Tibet Railway (川藏鐵路), the China-Laos Railway (中老鐵路), the Lunan High-Speed Railway (魯南高鐵), the Xintai Expressway (新台高速公路), the Dongping Offshore Wind Power (東營海上風電), the Jialu River Comprehensive Improvement Scheme (賈魯河綜合治理工程), the Mekong River Comprehensive Improvement Scheme (湄公河沿岸綜合整治工程), and the Beijing Universal Studios (北京環球影城).

Our Market Opportunities

China's composite trench cover industry presents growth potential. According to Frost & Sullivan, the market size of the composite trench cover industry in China grew from RMB1.8 billion in 2021 to RMB2.2 billion in 2025, with a CAGR of 5.4%, and is expected to grow at a CAGR of 6.6% from 2025 to 2030, reaching RMB3.1 billion by 2030. The expected growth momentum of the composite trench cover industry will shift from volume increases to value upgrades, reflected by a continued strengthening of the structural share of high-end products, the emergence of new application scenarios such as new energy, new infrastructure, and low-altitude

economy industries. While the industry is transitioning from high-volume to high-value growth, its sustainable competitiveness will be underpinned by enhanced technological barriers and strategic global capacity layouts.

Building on our strong foundation in composite trench cover products, we have been strategically exploring the market potential of high performance carbon fiber materials and have devoted significant R&D efforts to the field. In 2021, we obtained a carbon fiber related patent: "A Cable Trench Cover Structure Composed of Carbon Fiber Material" (一種碳纖維材料組成的電纜溝蓋板結構). We intend to expand into the carbon fiber composite industry, which represents the high-performance frontier of composite materials. The patent relates to a trench cover that utilizes carbon fiber as a reinforcing material to achieve enhanced mechanical properties including higher load-bearing capacity, reduced weight, and improved corrosion resistance compared to traditional glass fiber composite trench covers.

Our Company currently has no plan to apply carbon fiber materials to the commercial production of trench covers as such application would deviate from prevailing market practice. Carbon fiber materials are significantly more expensive than glass fiber composite and are typically reserved for higher-value application scenarios such as aerospace, new energy, new infrastructure and low-altitude economy, where their superior performance characteristics, including higher strength-to-weight ratio, greater strength, and superior fatigue resistance, justify the cost. For trench cover applications, where cost-effectiveness is the primary consideration, glass fiber composites remain the optimal and preferred material. The patent itself is not directly utilised in our carbon fiber composite products, as those products do not include trench covers. However, the R&D work underpinning this patent has enabled us to acquire valuable know-how in carbon fiber handling, impregnation, and molding processes. This technical expertise has been directly transferable to and applied in our experimental scale-up facility for carbon fiber composite products.

According to Frost & Sullivan, the market size of the carbon fiber composite industry grew from RMB20.0 billion in 2021 to RMB24.7 billion in 2025, with a CAGR of 5.3%, and is expected to grow at a CAGR of 7.6%, reaching RMB35.5 billion by 2030.

Therefore, as the composite materials industry transitions from high-volume to high-value growth, its sustainable competitiveness will be underpinned by the continued advancement of composite materials including strategic adoption of resin-based composite products embedded with carbon fiber and their superior material properties. Our ongoing development initiatives in both resin-based composites embedded with glass fiber and carbon fiber materials technologies position us to capitalize on this evolution. This strategic focus on technological innovation and superior material properties ensures we can effectively meet the evolving demands of modern infrastructure and adjacent high-performance markets.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success to date and position us well to capitalize on future opportunities and deliver continued growth:

We are a specialized manufacturer of composite trench covers and ranked first in the composite cable trench cover industry in China

Since our founding in 2009, we have grown to become a specialized manufacturer in the composite trench cover industry and established a competitive edge through our exclusive focus on composite trench cover products primarily utilizing resin-based composites embedded with glass fibers as reinforcing materials. According to Frost & Sullivan, (i) in terms of the revenue generated from the composite cable trench cover industry in China, we ranked first in the industry, capturing market share of 8.91% in 2025; (ii) in terms of the revenue generated from the cable trench cover industry in China, we also ranked first in the industry with market share of 2.43% in 2025; (iii) in terms of the

revenue generated from the trench cover industry in China, we ranked third in the industry accounting for 1.44% of the market share in 2025. Notably, our composite cable trench cover products have held the top domestic market share for four consecutive years since 2020 as recognized by the China Composites Industry Association (中國複合材料工業協會), solidifying our market position in this high-growth niche.

Unlike competitors who diversify their products across multiple material types such as cast iron and concrete, we specialize in composite trench cover products, including but not limited to cable trench covers, drainage trench covers, and manhole trench covers, which enable technical expertise and product innovation of composite trench covers. Leveraging our experience and expertise in composite trench cover products, we engineer our products with well-balanced performance metrics, including but not limited to enhanced strength-to-weight ratios and corrosion resistance, and also providing advantages in cost-efficient transportation and installation compared to traditional cement or iron alternatives. See "Business – Our Products – Performance Metrics of Trench Cover Products".

Built on more than a decade of industry experience, we have led in formulating technical standards that shape China's composite trench cover sector, including one enterprise standard, Technical Specifications for Composite Cable Trench Covers (《複合材料電纜溝蓋板技術規範》) in 2020, and two industry group standards: T/CIA 002-2022 Composite Cable Trench Cover (《複合材料電纜溝蓋板》) in 2022, and T/CIET 381-2024 Smart City Smart Manhole Cover Service Function and Operation Management Specification (《智慧城市智慧井蓋服務功能與營運管理規範》) in 2024. Leveraging our industry expertise and our concentrated R&D efforts, we have developed glass fiber material formulations and high-temperature compression molding techniques, which enhance durability and performance. We also offer a flexible product portfolio that can be tailored to customers' needs, including non-standard dimensions, specialized features (e.g., fluorescent guidance for emergency escape), and branded customers' logos to meet tailored demands from our customers.

This specialization has secured our market position in a high-growth niche, with an established presence in engineering and infrastructure sectors. As a composite-focused specialist, we have developed brand recognition and customer trust. Our focused strategy facilitates a more efficient allocation of resources to product improvement and the exploration of new applications, including areas such as new energy, new infrastructure, and low-altitude economy-related projects.

Our market position in China's composite trench cover market is further supported by successful applications across power utilities, transportation networks, and municipal systems. Our commitment to excellence in this specialized field has secured us involvement in landmark infrastructure developments, reinforcing our reputation as the preferred partner for high-performance trench cover products. Based on such experience and our track record in the industry, our Directors consider that we are well-positioned to capture potential growth opportunities in the composite materials industry in the PRC and overseas markets, including composite trench cover products and other relevant applications in related fields.

Technological advancement driven by market-oriented R&D

We have established R&D capabilities that continuously drive technological innovation. Leveraging market insights, we focus on the development and optimisation of composite trench cover products and related materials and have accumulated experience in improving the mechanical properties, functionality and applicability of our products to meet customer requirements. During the Track Record Period, our cumulative R&D costs amounted to RMB18.4 million. As of the Latest Practicable Date, our R&D team comprises 21 members. We believe the combination of our professional personnel experience and our market-oriented R&D approach differentiates us from many of our competitors.

Our comprehensive R&D capabilities are demonstrated through:

- ***Our six core technological developments:***

  - *High-Load BMC/SMC Formulation Technology*: This technology is based on specially modified unsaturated polyester resins. Through our toughening technology and the addition of modified materials in precise ratios, we create BMC/SMC composites with enhanced toughness and stronger load-bearing capacity. Our self-developed formulations with optimized raw material ratios and low-shrinkage characteristics enable us to produce composites that meet diverse customer requirements. This technology can be applied across our entire product portfolio.

  - *Class A2 Flame-Retardant Technology:* The formulation technology for Class A2 flame-retardant technology was developed through a combination of independent research and collaboration with Shandong University of Technology. While most resin-based composites have low limiting oxygen indices and are easily ignited, we have developed specialized flame-retardant formulations through systematic research on how different types of flame retardants affect composite materials. By optimizing both formulations and the corresponding processing parameters, our cable trench cover products achieve a limiting oxygen index exceeding 65% and an A2 fire rating according to combustion performance standards, while also demonstrating enhanced mechanical properties. This technology is applied to our flame-retardant trench cover products.

  - *Self-Illuminating Fluorescent Technology:* We have self-developed a self-illuminating composite material formulation that absorbs and stores energy from daylight or artificial light. This technology provides reliable fluorescent warning illumination in darkness or during sudden power outages in tunnels, effectively enhancing road safety. It is applied to our fluorescent trench cover products.

  - *Integrated One-Step Molding Process:* We have consolidated and optimized multiple production processes into a single, integrated molding procedure. This self-developed one-step molding technology significantly enhances the rigidity and strength of trench covers while improving production efficiency and maintaining quality. The process is applied across our entire product portfolio.

  - *Interlocking Structural Design System:* Our self-developed interlocking composite trench cover features a specifically engineered arc-shaped profile and integrated drainage channels. The design incorporates interlocking grooves on both sides that connect adjacent covers seamlessly. This structural configuration significantly enhances load-bearing capacity while effectively addressing water infiltration challenges through its built-in drainage system. The arched profile, combined with the interlocking mechanism, provides substantial improvements in waterproofing, wind and sand resistance. This technology is specifically applied to our cable trench cover products.

  - *Smart Automation Manufacturing:* Our self-developed automated production system features overhead transport tracks and robotic manipulators that enable fully automated production lines. This industrial control automation technology achieves precise ingredient proportioning, significantly enhances

production efficiency, and ensures consistent product quality across production batches. The system is implemented across our entire product portfolio.

- ***Proprietary technology portfolio:*** Our proprietary technology portfolio includes 15 patented manufacturing processes for composite trench covers, which are built upon our six core proprietary technologies. These include advanced material formulations technology and automated production systems focused on ensuring high product consistency, and high-temperature compression molding technology which can deliver enhanced efficiency compared to conventional methods. See "Business – Our Strengths – We are a specialized manufacturer of composite trench covers and ranked first in the composite cable trench cover industry in China – Our six core technological developments".

- ***Strategic research partnerships:*** Our strategic research partnerships further enhance our technological edge, including the establishment of the Resin-Based Composite Materials Technology R&D Center* (樹脂基複合材料技術研發中心) in collaboration with Shandong University of Technology (山東理工大學) in 2020. Through our joint Resin-Based Composite Materials Technology R&D Center with Shandong University of Technology, we have executed multiple technology development contracts focused on industrializing flame-retardant (Class A2) resin composites and optimizing production formulations. This partnership extends to co-applying for Shandong provincial-level research projects with Jiangnan University (江南大學) in 2025, on smart cover management system, where we have also established an off-campus internship base to facilitate mutual benefits in scientific cooperation, talent development, and technical consulting.

Together, these integrated capabilities, we believe our integrated approach to R&D and production ensures we maintain our competitive edge while meeting evolving market demands for high-performance infrastructure solutions.

Our in-house mold manufacturing with standardized automated production lines and quality control

Our manufacturing capabilities are built on a foundation of vertical integration, which combines in-house mold manufacturing with standardized automated production lines and quality control. This model is distinguished by our in-house mold fabrication, a capability that, according to Frost & Sullivan, is possessed by fewer than 10% of composite trench cover manufacturers in China, setting us apart from a majority of industry peers. This creates a distinct competitive advantage in the composite trench cover industry, enabling us to reliably fulfill large-volume orders while maintaining consistent product quality across all outputs.

The strategic value of our in-house mold fabrication is demonstrated through several key operational benefits:

- ***Accelerated Customization:*** As one of the few manufacturers in the composite trench cover industry in China with dedicated in-house mold fabrication, we bypass the delays and uncertainties of external suppliers. Unlike our competitors who cannot fully control or guarantee the timeline, delivery and quality of outsourced molds, our integrated approach ensures faster, more reliable customization capabilities. This capability, which is a key feature of our vertically integrated operations, gives us complete control over the mold production process. As a result, we achieve shorter production cycles for custom orders and rapid design iterations, enabling us to respond with agility to specific customer requirements.

- ***Enhanced Collaboration and Precision:*** Our control over this process facilitates collaboration with our customers throughout the production process. We engage in concurrent engineering with clients, making real-time adjustments to designs that would be cost-prohibitive or time-consuming with an external supplier, ensuring engineering specifications match application requirements.

Premium brand recognition

Through our commitment to R&D capabilities, innovation and quality control, we have established our Baogai (寶蓋) brand as an established and trusted name in China's composite trench cover industry. By participating in several landmark engineering and infrastructure developments, our brand has earned widespread recognition, including but not limited to:

- CCTV Mall Preferred Brand* (央視網商城優選品牌) – Recognized for quality and reliability by China's premier media platform in 2016;
- China Composites Industry Association (中國複合材料工業協會) – Holding the top market share position for four consecutive years since 2020;
- Brand Power National Preferred Demonstration Development* (品牌強國自主品牌優選示範工程) – Awarded as a benchmark in China's independent brand development in 2022; and
- Zibo City Green Manufacturing in 2024* (2024年淄博市市級綠色製造) – Recognized as a city level green factory (市級綠色工廠) in 2024.

With our market position and proven track record in reliable delivery and after-sales service, we have built a reputation for trustworthiness and product quality, which has helped us maintain long-term relationships with our customers. We believe our established brand reputation enables us to introduce new products and expand market share. It also strengthens our positioning as a preferred partner for our major customers and large-scale infrastructure developers.

Visionary, experienced, and dedicated management team committed to advancing the composite trench cover industry

Our visionary, experienced, and dedicated management team is deeply committed to advancing the composite trench cover industry, guiding our Group through evolving market conditions while strengthening our market position. With years of specialized expertise in composite materials, our management and core technical personnel possess extensive industry knowledge, ensuring stable and sustainable long-term growth.

Our leadership's deep operational knowledge and proven track record have been instrumental in establishing us as a pioneer in composite trench cover industry. Mr. Liu, our founder, Executive Director and Chairman, possesses over two decades of experience in the composite trench cover industry. Under the visionary leadership of Mr. Liu, our Company has established itself as the innovator in composite trench cover products in China. Since our inception in 2009, Mr. Liu, has led the development of 69 patents, including 15 invention patents, 50 utility models, and four design patents.

As of the Latest Practicable Date, the majority of our core management members have worked in our Group for an average of eight years. During the Track Record Period, our Directors and senior management team had not experienced any material changes. Stable management has significantly accelerated our internal decision-making speed and improved management efficiency.

Our management team's stability and expertise have been pivotal to our track record of innovation and growing market presence, and will continue to drive our success and future growth. With their strong leadership, coupled with our solid market presence and multidimensional competitive advantages, we are well-positioned to maintain our market position in the industry while pursuing new growth opportunities worldwide.

OUR STRATEGIES

Our objectives are to further expand our market share and strengthen our market position in composite trench cover industry in China and expand our market presence worldwide. We aim to accomplish this through the following strategies:

Innovation and development of resin-based composite products embedded with carbon fibers as reinforcing materials to expand our product portfolio

Compared with products that utilize resin-based composite embedded with glass fibers as reinforcing materials, products that utilize resin-based composite embedded with carbon fibers as reinforcing materials generally have higher performance requirements and are used in higher value-added application scenarios. With years of experience in the composite trench cover industry, we have built capabilities in production know-how of composite products including material formulation, product design and key production processes such as fiber impregnation with resin and the compression molding process when moving into applications utilizing carbon fibers as reinforcing materials. Consequently, in 2021, recognizing significant market opportunities and performance benefits from carbon fiber composite products into our products, we secured a patent for "A Cable Trench Cover Structure Composed of Carbon Fiber Material." Though we have not yet put the patent into commercialisation due to factors such as cost-effectiveness of adopting carbon fiber composites in trench covers production, our Directors believe such patent serves as a strategic foundation for our expansion into the broader carbon fiber composite market. According to Frost & Sullivan, the market size of the carbon fiber composite industry in the PRC grew from RMB20.0 billion in 2021 to RMB24.7 billion in 2025, with a CAGR of 5.3%, and is expected to grow at a CAGR of 7.6%, reaching RMB35.5 billion by 2030. The global market size of the carbon fiber composite industry grew from RMB47.8 billion in 2021 to RMB63.2 billion in 2025, with a CAGR of 7.2% and is expected to grow at a CAGR of 7.4%, reaching RMB90.2 billion by 2030. To align with the composite industry's shift toward high-value applications, we are strategically expanding into carbon fiber composite R&D.

According to Frost & Sullivan, resin-based composites embedded with glass fibers as reinforcing materials is renowned for its cost-efficiency and superior corrosion resistance. These characteristics make our composite trench covers the optimal, cost-effective choice for general engineering and infrastructure, offering significant advantages in lightweight properties, service life, and overall lifecycle cost.

In contrast, carbon fiber composite represents a technological advancement, possessing an even higher load-bearing capacity and lighter weight than glass fiber composite, which makes it typically preferred for more advanced sectors. It is these distinct performance characteristics of carbon fiber as reinforcing materials, enabling applications beyond the scope of traditional glass fibers as reinforcing materials, that allow our strategic expansion into more demanding application scenarios such as aerospace, new energy, new infrastructure, and the low-altitude economy.

Details of our plan to incorporate the production line for carbon fiber composite products are summarised below:

- ***Technical knowhow:*** The manufacturing process of both composite products with glass fibers and carbon fibers as reinforcing materials partly relies on the same steps, namely the fiber impregnation with resin, and the compression molding process to form the final product. The underlying physics and engineering of combining a fiber reinforcement with a polymer matrix are similar in principle.

  There are also differences between the manufacturing process of composite products with glass fibers and carbon fibers as reinforcing materials. For carbon fibers, production involves carbon fibers, which are more sensitive to handling and processing conditions than the glass fibers used in glass fiber composite products. As a result, carbon fiber composite manufacturing requires stricter control over fiber alignment and impregnation quality. In terms of raw materials, carbon fiber and high-temperature thermoplastics such as PEEK and PEKK are comparatively more costly than glass fiber materials. This cost is offset by carbon fiber composites' downstream applications which targets high-value, performance-critical sectors such as aerospace, new energy, new infrastructure and low-altitude economy, where customers are generally players in the aforementioned field which prioritize advanced material properties. In contrast, glass fiber composites typically serve industries which demand cost-effectiveness and have broader applicability, covering construction and infrastructure, transportation, energy, and low-altitude economy equipment. Our strategy is to leverage our composite material process know-how, with our experimental scale-up facility serving to address these differences and meet the more stringent demands of carbon fiber composite production.

  - Knowhow in Compression Molding: This is where our experience is most relevant. The compression molding processes used for our existing composite trench cover products primarily utilizing resin-based composites embedded with glass fibers as reinforcing materials are broadly comparable in principle to those required for the manufacturing of products primarily utilizing resin-based composites embedded with carbon fibers as reinforcing materials. Notably, this allows us to utilize certain compression molding machinery and oil temperature control units we already possess, minimizing our capital expenditure. This process similarity enables a rapid and capital-efficient transition, allowing us to leverage our existing equipment and machinery and focus our efforts on material-specific optimization rather than the development of new manufacturing competencies.

  - Building on Advanced Impregnation Technology used in SMC Raw Material Processing: The core technology for carbon fiber composites, namely continuous carbon fiber thermoplastic resin melt impregnation, is based on impregnation principles similar to those we have already applied in our existing processes. Through our experience, we have developed an understanding of the criticality of achieving a complete, uniform bond between the fiber and the resin matrix to ensure structural integrity. This experience in handling delicate continuous fibers and managing resin systems provides a preliminary technical foundation for adopting and further developing carbon fiber composite impregnation technology. Leveraging our in-house capability, including our own R&D team, and collaborating with an external advisor, a professor from Shandong University of Technology, who provides guidance in carbon fiber raw material processing, we have commenced carbon fiber composite R&D on March 2025. Together, we collectively established an experimental scale-up facility in November 2025, enabling a complete workflow from material

preparation to final product and allowing us to effectively integrate our manufacturing and R&D efforts. Through our experimental scale-up facility, we have developed expertise in the impregnation process, achieving precise control over the formulation of carbon fiber and matrix resins to produce consistent, reliable prepreg. Under the collaboration agreement, all intellectual property rights arising from our joint research are exclusively owned by us. Our strategy is to leverage our composite material process know-how, with our experimental scale-up facility serving to address these differences and meet the more stringent demands of carbon fiber composite production.

Our trial production of robotic arms, shells, or other structural components that utilizes resin-based composites embedded with carbon fibers as reinforcing materials has not commenced operation as of the Latest Practicable Date. Rather than mass or commercial production or trial production, our experimental scale-up facility, established in November 2025, enables small-scale production of thermoplastic carbon fiber prepreg exclusively for internal development of raw material, impregnation process optimization, and generation of consistent prepreg batches to support performance testing and validation. Upon completion of the internal development phase, we will prioritize the use of our existing compression molding equipment to produce finished products, or deploy equipment matched to specific molding process requirements as needed. The experimental scale-up facility enables us to perform functions under the strategic framework agreements, such as providing material performance data, suitability assessments, and leading performance validation, which require in-house control over prepreg formulation and impregnation quality. We successfully established this capability by leveraging our existing SMC-based impregnation technology and in-house R&D team.

- ***Industry-prescribed minimum carbon fiber content:*** According to Frost & Sullivan, there is currently no industry-prescribed minimum carbon fiber content for carbon fiber composite products in the PRC. Product specifications, including carbon fiber content, are generally determined based on customer requirements, target application scenarios, and performance needs, rather than mandated by national or industry standards. Manufacturers typically determine the proportion of carbon fiber based on a demand-driven approach, balancing performance requirements with cost considerations.

- ***Proposed carbon fiber content of our products:*** Based on our experimental scale-up efforts and collaborative R&D with Shandong University of Technology, we currently anticipate that we will adopt the following approximate carbon fiber content ranges for our proposed carbon fiber composite products, subject to further refinement during prototype development:

Product Category	Estimated Carbon Fiber Content (by weight)[1]	Application Scenario
Robotic arms	63%–67%	Industrial robotics requiring high strength and fatigue resistance
Robotic casings/shells	30%–63%	Protective casings requiring lightweight properties and durability
Drone casings	55%–60%	Aerospace and low-altitude economy applications requiring high strength-to-weight ratio
Other structural components	58%–63%	Supporting frameworks requiring high stiffness and vibration damping

Note:

(1) The estimated carbon fiber content ranges are proposed targets based on our current R&D results as of the Latest Practicable Date. The actual carbon fiber content for commercial products may vary depending on customer specifications, final performance testing, and further optimization. These ranges should not be construed as final or guaranteed specifications.

- ***Effect of carbon fiber content on product properties and application scenarios:*** The carbon fiber content directly influences the mechanical properties and cost of the final product. Higher carbon fiber content increases material costs and manufacturing complexity, requiring more stringent quality control and manufacturing precision. However, it delivers improved mechanical properties, including higher tensile strength, greater flexural modulus, enhanced fatigue resistance, and superior lightweight advantages. Conversely, lower carbon fiber content reduces costs and simplifies production, but may result in reduced mechanical properties, making it better suited for less demanding applications rather than high-performance uses requiring high load-bearing capacity, rigidity, and long service life.

  Our Directors are of the view that, based on our experimental scale-up efforts and existing R&D results, we have developed the capability to adjust carbon fiber content within the ranges set forth above to meet specific customer requirements across different application scenarios.

- ***Implementation plan:*** taking advantage of our existing machinery and equipment in the compression molding process, which is partly applicable to the compression molding processing for carbon fibers as reinforcing materials, we will apply approximately HK$[25.3] million to further acquire additional machineries focusing on the process of carbon fiber prepreg, namely, large-scale compression machine, ultra-high pressure, resin transfer molding (HP-RTM) equipment, 5-axis CNC machining center, automated layering machine, and other

inspection and testing equipment, molds and a production line for continuous carbon fiber prepreg, which will be funded by the **[REDACTED]** from the **[REDACTED]** and our internal resources. We intend to implement such production machineries to our Baogai Facility.

We have identified qualified suppliers for the key raw materials required for the production of resin-based composite products that utilize carbon fibers, such as PEEK, PEKK, and carbon fiber. After conducting comprehensive market price comparisons and evaluating material samples, our Directors are of the view that these suppliers have met all our qualification criteria and are our preferred sources for procurement. As of the Latest Practicable Date, we had commenced procurement of the aforementioned raw materials from such suppliers;

- ***Regulatory requirement:*** In relation to the regulatory requirements on production of products that utilizes resin-based composites embedded with carbon fibers, as advised by our Company's PRC advisor, apart from the general laws and regulations applicable to standard production processes that currently govern our operations, there are currently no specific laws or regulations governing the production process of such products;

- ***Policy initiatives:*** Since 2024, the PRC government launched a series of detailed initiatives to stimulate the industrialization of thermoplastic composite and carbon fiber materials. In January 2024, the Ministry of Industry and Information Technology and six other PRC governmental departments issued the Implementation Opinions on Promoting the Innovative Development of Future Industries (關於推動未來產業創新發展的實施意見), where the expansion of application scenarios of carbon fiber has been prioritized. In October 2024, the Notice on Issuing the "Overall Construction Plan for the New Materials Big Data Center" (關於印發《新材料大數據中心總體建設方案》的通知) jointly released by the Ministry of Industry and Information Technology, the Ministry of Finance, and the National Data Bureau where high-performance carbon fiber and composite material are listed as on the materials under the initiative. This initiative aims to establish dedicated data resource nodes for high-performance fibers and composites to systematically gather and standardize critical data across their lifecycle, thereby accelerating R&D in this strategic sector;

- ***Market demand and opportunities:*** Carbon fiber composite is a relatively new material application in the PRC market, and its industrial adoption remains at an early stage of development. The market is currently characterized by limited large-scale production capacity and application experience and is at a relatively high development stage. According to Frost & Sullivan, the market size of the carbon fiber composite industry in the PRC grew from RMB20.0 billion in 2021 to RMB24.7 billion in 2025, with a CAGR of 5.3%, and is expected to grow at a CAGR of 7.6%, reaching RMB35.5 billion by 2030. The global market size of the carbon fiber composite industry grew from RMB47.8 billion in 2021 to RMB63.2 billion in 2025, with a CAGR of 7.2% and is expected to grow at a CAGR of 7.4%, reaching RMB90.2 billion by 2030. In particular, production line for continuous carbon fiber prepreg accounted for approximately 30 to 40% of the total carbon fiber composite market. Leveraging our Company's proven ability to provide customized product solutions, we are specifically positioned to capture this specific market segment;

  To capture the demand in carbon fiber composite market, we have entered into two strategic framework agreements with two PRC companies based in Shenzhen to be our strategic partners (the "**Strategic Partner**") which are Independent Third Parties. The First Strategic Partner was founded in 2016 and is primarily engaged in medical rehabilitation robotics and the sales of intelligent robots with

a registered share capital of RMB8.2 million. The Second Strategic Partner is a newly established company and is primarily engaged in the sales of electronic components and the R&D of intelligent robots with a registered share capital of RMB5.3 million. We expect to complete trial production by December 2026 and our products that utilize resin-based composites embedded with carbon fibers will reach commercialisation and commence mass production by March 2027. Salient terms and the latest development status of the strategic framework agreements are as follows:

Product type	Carbon fiber composite robotic arms, shells and other structural components.
Application of carbon fiber composite	Carbon fiber composite is applied in industrial robotic arms to manufacture load-bearing structures such as links and joints, reducing weight and inertia for faster, more precise movements. In robot shells, carbon fiber composite forms the outer casing, offering lightweight protection, corrosion resistance, and durability for internal components. For other structural components, carbon fiber composite is used in supporting frameworks and reinforcement ribs, providing high stiffness, vibration damping, and fatigue resistance.
Product properties	The products must meet specific engineering criteria, including but not limited to being lightweight, high strength, wear resistance, and corrosion resistance.
Allocation of work and key implementation activities	The Strategic Partners are mainly responsible for structural design, prototyping, and sample trial production, while our Company provides material performance data, material suitability assessments, and leads performance validation. Through a jointly established R&D team, both parties will coordinate the development plan, track progress, and resolve technical issues together.

Procurement	If the Strategic Partners subsequently procure composite materials and related components of the same type as the products under the framework agreement, they shall give priority to purchasing from our Company, provided that our product quality meets the agreed standards and delivery lead time satisfies their production schedule requirements. The strategic framework agreements did not contain any committed purchase volumes or amounts. Such terms have not been agreed upon and remain subject to further negotiation between the parties.
Status	As of the Latest Practicable Date, the joint R&D team is actively utilizing our experimental scale-up facility to develop prototypes for robot shells and other structural components and validate their performance against the engineering criteria below.

The strategic framework agreements did not specify a fixed minimum carbon fiber content or quantitative engineering criteria. However, the carbon fiber content requirements under the framework agreements are projected to fall within our proposed carbon fiber content of our products. The actual carbon fiber content for each product will be refined during prototype development to achieve the following target engineering criteria, which have been established based on the joint R&D team's development work as of the Latest Practicable Date:

Criterion	**Requirement**
Lightweight	≥50% lighter than titanium alloy; ≥30% lighter than aluminum alloy
High Strength	Tensile strength ≥1,800 MPa; flexural strength ≥1,400 MPa
Wear Resistance	Wear rate $\leq 1\times10^{-6}$ $mm^3/(N\cdot m)$
Corrosion Resistance	Mass loss rate ≤0.1%/1,000 hours; no electrochemical corrosion risk
Fatigue Resistance	Strength retention ≥85% after 10^6 cycles

In parallel, we intend to promote our casings and other structural components utilizing resin-based composite products embedded with carbon fibers through our sales team and regional offices, and to further expand our market reach through cooperation with trading company customers and other third-party channels, with a view to broadening our customer base and identifying additional downstream application opportunities. See "Committed to our globalization strategy and solidifying our nationwide presence" in this section for details of our marketing expansion plan;

- ***Cost and benefit analysis:*** Raw material costs for resin-based composite products embedded with carbon fibers as reinforcing materials are higher than those for our composite trench cover products that utilize resin-based composites embedded with glass fibers as reinforcing materials, primarily due to the higher cost of carbon fiber and high-temperature thermoplastics such as PEEK and PEKK.

  Despite higher raw material costs, these products are expected to achieve higher gross profit margins as they target higher-value application scenarios where customers prioritize performance over price.

  We expect our incorporation of production line for resin-based composite products embedded with carbon fiber as reinforcing materials will enable us to capture the demand from the market and will increase our Group's revenue and profit in the future, accompanying by additional depreciation and operating cost in relation to the new production facilities. We estimate the payback period, being the years required by our Group to recover the relevant capital expected to be spent on the capacity expansion plan calculated to be approximately three years after commencement of production operation of our production line for these products. The abovementioned payback period estimations are subject to a number of risks and uncertainties, including the difficulty to forecast the level of customer orders with certainty. See "Risk Factors – Risks relating to our industry and business – We may not be successful in implementing our business plans and strategies effectively or at all, which could materially and adversely affect our business, financial condition and results of operations. We are subject to the risks involved in expanding into new markets and the expansion of product lines."

- ***Entry Barrier:*** The production of resin-based composite products embedded with carbon fiber involves technical entry barriers, primarily due to the complexity of specialized processes such as fiber impregnation and molding. Such processes rely on continuous carbon fiber thermoplastic resin melt impregnation, which requires precise temperature control and strict process consistency. Further, scaling production from raw materials to large-scale commercial output demands capital investment in specialized equipment, including continuous carbon fiber prepreg production lines and large-scale compression molding systems. As a result, new market entrants face considerable challenges in attaining the materials science expertise and manufacturing consistency that we have developed through extensive know-how in compression molding and continuous carbon fiber composite research; and

- ***Competition:*** Domestically, most competitors lack the capability for large-scale continuous carbon fiber composite production, focusing instead on lower-end thermoplastic manufacturing, while internationally we primarily compete with established international material manufacturers based in Japan, Saudi Arabia and Belgium, who benefit from technological advantages, stable supply chain and strong brand recognition. Competition primarily revolves around technological capability and quality control, with high market concentration dominated by a limited number of leading enterprises. However, such competitors typically operate with higher cost structures and are subject to extended delivery lead times. Leveraging our product customization capabilities, ongoing R&D input in continuous carbon fiber materials and our cost-competitive domestic supply chain, our Directors believe that our strategic positioning would effectively capture international market demand in the global competitive landscape.

This expansion into the carbon fiber composite industry represents a natural progression of our product development strategy, allowing us to leverage our composite material expertise to diversify into new, high-value markets and expand our product portfolio. As of the Latest Practicable Date, we have initiated a collaborative R&D project

with Shandong University of Technology and a designated professor to develop continuous carbon fiber materials. According to Frost & Sullivan, continuous carbon fiber composite is the high-performance subset of carbon fiber composites. Distinguished by its re-formability, it may undergo multiple reshaping cycles, improving material efficiency and reducing production costs. Such properties allow continuous carbon fiber composite to be particularly suitable for high-demand sectors like aerospace and drone manufacturing. We plan to adopt the resulting technology for the mass production of the following applications, including but not limited to: (i) robotic casings, and (ii) drone casings.

See "Future Plans and **[REDACTED]** – 1. Incorporation of production line for resin-based composite products embedded with carbon fibers".

Expanding our operational efficiency

In order to strengthen our market position and address the evolving needs of our downstream customers, we plan to enhance our production output through strategic automation transformation and in-depth R&D activities. By investing in advanced equipment and the development of intelligent production lines, we will further solidify our reputation for reliability and innovation.

We commit to upgrading our technological capabilities and modernizing our established production plants to optimize our overall production capacities and efficiencies. Specifically, our initiatives will focus on intelligent upgrade of our production equipment. We intend to invest in new, intelligent manufacturing machines to replace aging and less efficient equipment by introducing intelligent molding and shaping equipment and robotic arms. This upgrade will enhance the precision and automation of our core production processes, streamline workflow, reduce human error and facilitate our R&D research team in conducting experiments, forming the foundation of a modern trench cover manufacturer.

As of the Latest Practicable Date, we had three production facilities, namely the Baogai Facility and Zhongdian Facility in Shandong Province, as well as the Baogai (Xi'An) Facility in Shaanxi Province, with an aggregate site area of approximately 42,769 sq.m. and building area of approximately 23,400 sq.m. The effective utilisation rate of our Baogai Facility is 102.2%, 96.5% and 90.6% for the years ended 31 December 2023 , 2024 and 2025, respectively. The effective utilisation rate of our Zhongdian Facility is 61.1%, 61.5% and 67.2% for the years ended 31 December 2023, 2024 and 2025, respectively, and the effective utilisation rate of our Baogai (Xi'An) Facility is 42.6%, 56.5% and 74.7% for the years ended 31 December 2023, 2024 and 2025, respectively.

During the Track Record Period, our production capacity remained relatively stable, and our utilisation rate was generally in line with sales volume. To further enhance production efficiency and support our long-term development, we plan to upgrade our production lines by (i) deploying intelligent molding and shaping equipment, and (ii) integrating robotic arms into selected production processes. This will involve the progressive replacement of compression molding machines, including 11 four-column hydraulic presses (四柱油壓機) that have been in operation for over a decade, which are constrained by their limited automation capability as well as relatively lower production precision and energy efficiency.

The new intelligent equipment will provide higher molding accuracy and stability, enable the manufacture of products with larger dimensions, and improve process automation and real-time quality control, enhance our product variety, for example, products with longer dimensions, and reduce manpower expenses, equipment maintenance cost, energy consumption and material wastage. No other specification enhancements (such as tighter tolerances or more complex geometries) are anticipated beyond the increase in product dimensions, nor will any performance metrics be altered as a result of the upgrade. The basis for this upgrade is substantiated by the need to replace inefficient legacy

equipment. Crucially, this will broaden our product variety to include, for example, products with longer dimensions (typically up to three meters), more complex specifications and tighter tolerances that are not achievable with our current machinery and equipment, thereby allowing us to address new market segments and customer demands. These enhancements are also expected to increase product consistency, quality and yield and overall cost efficiency. With the adoption of automation technologies, certain manual production processes will be replaced, thereby reducing reliance on manual labour, optimising manpower allocation, and further enhancing production efficiency and product stability.

To illustrate the benefit of deploying intelligent molding and shaping equipment and integrating robotic arms, we have conducted cost benefit analysis, where we expect our intelligent upgrade to production equipment plan will enhance our production and cost efficiency in the future, broaden our products variety and sales, reducing staff expenses and maintenance fee, accompanied by additional depreciation and operating cost in relation to the new production equipment. Based on our projections, upon full implementation of the upgrade, we anticipate annual cost savings of approximately RMB2.0 million. We estimate the payback period, being the years required by our Group to recover the relevant expenditure expected to be spent on upgrade plan calculated based on expected incremental earnings to be approximately 3.6 years after commencement of production operation of our intelligent molding and shaping equipment and robotic arms. The abovementioned payback period estimations are subject to a number of risks and uncertainties, including the difficulty to forecast the cost reduction with certainty. Despite these operational improvements, it is expected that our overall production capacity will remain unchanged after the upgrades.

See "Future Plans and **[REDACTED]** – **[REDACTED]** – 2. Implementing intelligent upgrade to production equipment".

Enhancing R&D capabilities and product innovation to broaden application scenarios

Innovation is the cornerstone of our growth strategy. We are committed to leveraging our comprehensive R&D capabilities and product innovation capabilities to develop new materials and expand the application scenarios of our products.

- ***Enhance R&D on thermoplastic material:*** Recognizing global industry trends toward lightweight and sustainable materials, we have identified thermoplastic composites as a market driver of future growth. Our R&D will prioritize mastering the preparation techniques for cutting-edge composite materials. This will enable us to develop proprietary formulations tailored for specialized applications and to optimize our molding processes for enhanced performance and efficiency. We intend to tap into the new energy, new infrastructure, and low-altitude economy industries.

- ***Strategic product portfolio transformation:*** We will strategically evolve our product portfolio from its current focus on composite products to a balanced offering, incorporating thermoset, thermoplastic and carbon fiber materials. This positions us to capitalize on emerging opportunities in composites products while maintaining our market position in the composite trench cover industry, creating a more resilient and future-proof business model.

- ***Investment in talent development***: We plan to maximize our R&D output by recruiting additional R&D personnel who possess relevant qualification in composite material technologies and advanced manufacturing technologies, with the intention to convert our R&D into our commercial product in an efficient manner.

See "Future Plans and **[REDACTED]** – **[REDACTED]** – 3. Expansion of R&D input".

Committed to our globalization strategy and solidifying our nationwide presence

As we expand domestically and internationally, we remain dedicated to developing resilient, next-generation composite trench cover products that set new global benchmarks in durability, safety, and smart infrastructure integration.

To drive our market growth, we are strategically pursuing global market expansion, leveraging our R&D capabilities, technological advantages and performance-optimized designs to capture significant growth opportunities in international markets. While the penetration rate in the PRC for composite materials stands at 37.2%, the international landscape, characterized by an incumbent reliance on traditional materials such as concrete and cast iron, presents a significantly larger and largely untapped opportunity. The penetration rate for comparable composite products in key overseas markets is estimated to be approximately 18.9%, representing a substantial runway for growth.

Our expansion strategy will be executed through a two-pronged approach:

- ***Deployment of a specialized global sales and marketing team:*** We will significantly invest in building and deploying a specialized, high-performance overseas sales and marketing team with deep regional and technical expertise. The regional marketing team will drive global brand awareness and lead generation by actively participating in key international exhibitions, executing targeted digital marketing campaigns, and building a regional and global presence. Concurrently, the regional sales teams will leverage this pipeline, applying their deep technical and regional expertise to cultivate customer relationships and expand sales network globally.

- ***Establishment of regional offices:*** To solidify our global presence, we will pursue the strategic establishment of regional offices in key markets across Shenzhen, Chengdu, Urumqi, Pakistan and Dubai. These offices will serve as vital centers for sales support and customer service, significantly reducing lead times and providing our international customers with responsive, localized support. In particular, our Shenzhen office, Pakistan office and Dubai office will be our primary customer services and communication centers in South China and the Central Asia, providing support to our potential Greater Bay and overseas customers and serving as a point of entry for future global customers. This integrated approach, combining a specialized team with a physical local footprint, ensures customers' satisfactory and is designed to maximize our international growth potential, establishing a dominant and sustainable global footprint.

Reinforcing market presence in the PRC

As we seek to reinforce its position in the domestic market while progressively expanding into overseas markets, our Directors consider that establishing regional offices in different parts of the PRC would be a feasible and effective measure to support our Group's long-term development. Currently, our Group's principal offices are located in the province of Shandong and Shaanxi, and the establishment of additional regional offices would expand our Group's market presence and enhance its local responsiveness to customers in other key regions of the PRC. Our Directors believe that our Group can leverage its technological capabilities, competitive pricing strategies and established brand reputation to capture the expected growth in demand for its composite material products both domestically and internationally.

In the PRC, supported by national initiatives such as the New-type Urbanisation Plan, the "Dual-Carbon" (carbon peaking and carbon neutrality) strategy, the Yangtze River Delta Regional Integration Plan, the Guangdong-Hong Kong-Macao Greater Bay Area Initiative and the "Made in China 2025" programme, demand for lightweight, durable and environmentally friendly composite materials is expected to remain strong. There are promising market opportunities in (i) Southern and Eastern China, where continuous industrial upgrading, together with the fast-growing new energy vehicle, smart city and intelligent manufacturing sectors, are expected to drive rising demand for composite materials used in charging piles and components for robotic and automated equipment manufacturing. Furthermore, infrastructure development is creating new opportunities, particularly Shenzhen's 132-km rail transit project with an estimated RMB86.2 billion investment where demand for corrosion-resistant, electrically insulating composite materials – properties inherent to our composite trench cover products, is expected to increase; (ii) Southwestern and Central China, where accelerated urbanisation and infrastructure development under the Chengdu-Chongqing Economic Circle Development Plan and supplementary initiatives such as the "2024 Major Project List for the Chengdu-Chongqing Economic Circle (共建成渝地區雙城經濟圈2024年重大專案清單)" explicitly mandates that 12 inter-city railways and three mountain city tunnel clusters shall prioritize the use of lightweight, high-strength composite material supports and covers, creating direct alignment with our core product offerings; and (iii) Western regions, where sustained infrastructure investment under the national Western Development Strategy and further reinforced by specific provincial policies such as "Xinjiang's 2024 Implementation Rules for Large-Scale Wind and Solar Power Bases (新疆維吾爾自治區2024年大型風電光伏基地建設實施細則)", which recommends using lightweight composite materials for substation foundations and cable trenches in high-altitude cold regions, continues to drive demand for cable trench covers, manhole covers and other composite products used in municipal projects.

To capitalise on these opportunities, our Group intends to establish regional offices in selected provincial centres across these key regions, namely Shenzhen, Chengdu and Urumqi. With operational and logistical support from our headquarters in Shandong, our Group will be able to strengthen customer engagement, coordinate resource allocation more efficiently, and respond more promptly to regional market needs.

Establishing presence in Pakistan

According to Frost & Sullivan, the second phase of the "China-Pakistan Economic Corridor" from 2024 to 2027 involves USD8.0 billion in energy and infrastructure investments, including 17 transportation infrastructure projects encompassing highways, railways, and port developments. This provides a uniquely favorable framework for PRC infrastructure companies to establish and grow their presence in Pakistan with a combination of high-level government support, a proven project pipeline, and a strategy for long-term market engagement. Our products are particularly suitable to be adopted in Pakistan, for instance, our manhole trench covers feature corrosion resistance, high load bearing, and lightweight properties, making it highly suitable for Pakistan's local climate conditions and urban development needs.

We plan to establish a representative office in either Islamabad or Karachi, Pakistan, staffed with a team of three to five sales representatives. To complement this physical presence and accelerate brand awareness, we will proactively participate in major international building materials exhibitions. This includes key local expos in Pakistan, such as the Pakistan International Building Materials Exhibition, to directly strengthen our marketing outreach and engage with the regional construction industry.

Our Company actively seizes policy support from China's Belt and Road Initiative and the second phase of the China-Pakistan Economic Corridor ("**CPEC**") to deepen industrial cooperation, and is committed to developing market opportunities arising from Pakistan's

infrastructure upgrades. In September 2025, we entered into a memorandum of understanding with a leading Pakistani company. The company was established in 1971. Together with its affiliated companies, it is engaged in various business activities, including cigarette manufacturing, local operation of spinning mills, agricultural farms, infrastructure construction, and mining. These operations involve underground cable and drainage works, providing direct applications for our composite trench covers.

Under the memorandum of understanding, this strategic cooperation serves as a springboard for us to explore entry into the Middle Eastern and Central Asian markets. Our Pakistani partner will promote our composite trench covers by (i) adopting them in its infrastructure projects, (ii) using its long-standing local status and established relationships with government bodies to advocate for their inclusion on government procurement panel lists with the Pakistan Water and Power Development Authority and the Pakistan Telecommunication Authority and also projects in nearby countries in South Asia, and (iii) leveraging its Dubai and South Asia resources as a regional transshipment hub to reduce lead times for Middle Eastern customers. Except for customary provisions concerning confidentiality, jurisdiction, and termination, the memorandum of understanding is not legally binding. We intend to negotiate a formal, legally binding agreement with the partner once the collaboration framework reaches a more mature stage.

Establishing presence in Dubai

According to Frost & Sullivan, infrastructure investment across the Middle East is projected to exceed $1.5 trillion over the next decade. This substantial investment is further amplified by national development agendas, including Saudi Arabia's "Vision 2030" and Dubai's "D33 Economic Agenda", which are generating significant demand for advanced building materials. Further, the region is simultaneously advancing its commitment to green development, with "UAE Vision 2031" specifically identifying lightweight materials as critical enabling technology for green construction and sustainable development. The vision further mandates that composite material applications comply with the UAE Fire and Life Safety Code, establishing clear technical standards for market entry.

Aligned with these regional policies, we are strategically positioned to meet the growing demand for high-performance, lightweight composite products. According to Frost & Sullivan, our products equipped with Class A2 Flame-Retardant Technology rating possess the competitive edge of satisfying the fire resistance rating under the "Green Building Regulations & Specifications – Edition 4.0" issued in 2024, creating a success entry and expansion into Middle Eastern market.

Similar to our approach in Pakistan, we currently intend to partner with leading local building materials supplier with extensive distribution and retail networks and major infrastructure construction project organisers to rapidly expand our physical footprint across key Middle Eastern markets, such as the UAE and Saudi Arabia. By setting up representative office in Jebel Ali Free Zone, Dubai with five to eight sales representative and to actively attend industry exhibitions, such as the "Top Five Industry Exhibition" in Dubai, where we would support our outreach by providing product samples to enhance the visibility and accessibility of our products, fostering deeper connections with discerning regional clientele.

Other than active participation in overseas exhibitions, we will implement an integrated approach to customer acquisition, including (i) further develop multilingual corporate website and product platform to support targeted digital marketing, (ii) host facility tours and technical seminars at our production bases, inviting key prospects and partners to witness first-hand our advanced manufacturing processes and rigorous quality control systems, thereby establishing foundational trust through operational transparency and (iii) adopt a comprehensive pricing strategy combining value-based and market penetration approaches. Our pricing is guided by the market entry barrier of our products.

For resin-based composite products embedded with carbon fibers with high technical barriers, we will emphasize its performance advantages and set prices that are benchmarked against competitors. For our composite trench cover products, we will adopt competitively priced models to rapidly capture market share. We also consider market competition by closely monitoring the pricing strategies of competitors and making adjustments as necessary to maintain a competitive edge. Additionally, we will also factor in comprehensive expenses primarily including raw materials procurement and logistics. By consolidating shipments, optimizing packaging, and selecting cost-efficient Incoterms tailored to each market, we absorb a portion of the logistics overhead without transferring the full burden to our customer. We may also take into account the relationships with, and strategic value and order size of, our customers when determining the selling price.

Taking into account the competitive landscape, our prevailing product mix and our pricing strategy, our Directors believe that we are capable of capturing demand in the overseas market, including Pakistan, Dubai and nearby Middle East, Central Asian and South Asian regions. According to Frost & Sullivan, these markets remain fragmented and are mainly served by local manufacturers with relatively limited product customization and technical capability, and the penetration of composite trench covers that utilize resin-based composites embedded with glass fibers is currently low, with cast iron or concrete products still commonly used. Leveraging our reputation in the industry, our experience in supplying to infrastructure and utility customers in the PRC, our proven product performance, we positioned to gain the market share in these new markets.

Our Directors confirm that except for the applicable business license and compliance in Pakistan and UAE, no particular license, approval or registration is required for our Group to export our products under the relevant PRC laws and regulations. We will also consult external legal adviser in connection with the relevant jurisdiction from time to time in order to ensure compliance with the relevant rules and regulations in these markets.

See "Future Plans and **[REDACTED]** – **[REDACTED]** – 4. Enhancement of sales and marketing channels".

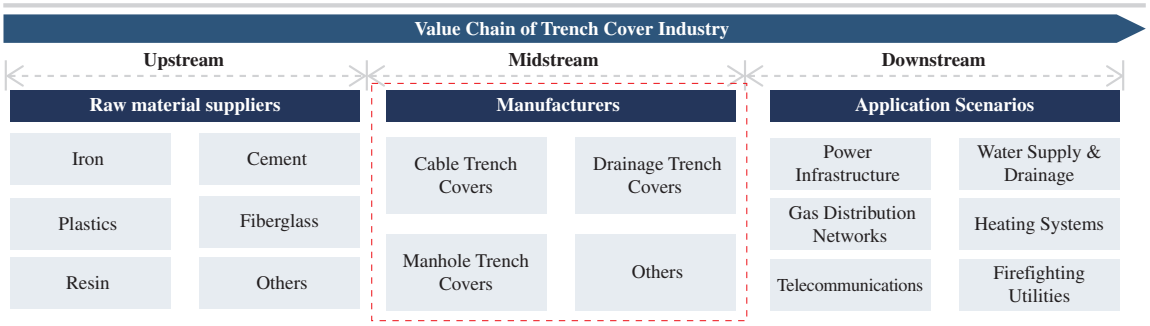
OUR BUSINESS

Founded in 2009, we have established ourselves as a specialized manufacturer in the composite trench cover industry, specializing in composite trench covers that utilize resin-based composites embedded with glass fibers as reinforcing materials complemented by additional structural elements like rebar and cast iron, and functional fillers such as quartz sand and calcium carbonate for engineering and infrastructure needs. We are dedicated to the R&D, manufacturing, and sales of high-performance composite trench cover products, including cable trench covers, drainage trench covers, and manhole trench covers. In recognition of our market position in the industry, we have been accredited by the China Composites Industry Association as maintaining the top market share position for composite cable trench cover products for four consecutive years since 2020. According to Frost & Sullivan, we ranked first in China's cable trench cover and composite cable trench cover industries by market share, and ranked third in the trench cover industry by market share in 2025.

Our business model

We encompass the entire production process for composite trench cover products, commencing from strategic sourcing of raw materials from our network of trusted suppliers to their transformation via our proprietary manufacturing processes into engineered durable, lightweight, and high-performance composite trench cover products.

The diagram below illustrates the value chain of the trench cover industry and our core business coverages thereof circled in red dotted lines:



Unlike traditional trench cover manufacturers who utilise conventional materials such as cast iron and concrete, we specialize in high-performance composite trench covers that utilize resin-based composites embedded with glass fibers as reinforcing materials. This focus on advanced materials forms the foundation of our product's superior quality and performance characteristics. To ensure consistent quality and standard across our supply chain, we enforce rigorous quality control and traceability measures for both raw materials and finished goods. This guarantees that every trench cover meets our stringent performance and durability standards, providing reliable engineering infrastructure products for our customers.

Leveraging our proprietary technology and industry and manufacturing expertise, we transform these raw materials into a comprehensive portfolio of composite products, including cable trench covers, drainage trench covers, and manhole trench covers, all engineered for durability, lightweight properties, and long-term performance. We sell our comprehensive portfolio of products directly to our customers. Our role is strictly confined to that of a manufacturer and supplier of trench cover products. We provide our products to project contractors or suppliers and generally do not participate in any aspect of project execution, construction management, or on-site installation activities. Our products reliably serve infrastructure applications including power transmission, transportation, municipal utilities, hydraulic engineering, real estate, and petrochemical facilities. Our proprietary technology portfolio comprises 15 patented manufacturing processes for composite trench covers, which are built upon our six core proprietary technologies. These include advanced material formulations, automated production systems ensuring high product consistency, and high-temperature compression molding technology that delivers enhanced efficiency compared to conventional methods. We apply our six core proprietary technologies across product development, manufacturing, and strategic positioning, creating an integrated technological ecosystem that drives its competitive advantage. See "Business – Our Strengths – Technological advancement driven by market-oriented R&D.

Application in Core Product Performance

- ***High-Load BMC/SMC Formulation Technology*** serves as the foundational material platform, applied across our entire product portfolio, enhancing structural strength, light weight, and durability.

- ***Class A2 Flame-Retardant Technology and Self-Illuminating Fluorescent Technology*** are primarily applied to our cable trench cover products. They are specifically engineered into our flame-retardant and fluorescent trench covers to meet stringent safety standards in applications such as power facilities and tunnels, and to provide passive safety in low-visibility conditions.

- ***Interlocking Structural Design System*** is applied to product's physical design. This application directly enhances functional reliability by mitigating cover displacement, improving drainage, and increasing overall structural integrity for demanding environments. This is specifically applied to our cable trench cover products.

Application in Manufacturing and Operational Efficiency

- ***Integrated One-Step Molding Process*** is applied at the core of our manufacturing workflow. This application consolidates multiple production stages, reducing cycle times, minimizing manual handling, and lowering the potential for defects, thereby enhancing both quality and throughput.

- ***Smart Automation Manufacturing*** is applied across the production floor, creating a tightly controlled and consistent manufacturing environment. The application of this system, from automated material handling to robotic precision, ensures product uniformity, reduces labor costs, and provides scalable capacity.

Composite Trench Covers

- The trench covers we sell include cable trench covers, drainage trench covers and manhole trench covers. We primarily focus on cable trench covers. For the years ended 31 December 2023, 2024 and 2025, our revenue from cable trench covers was RMB103.8 million, RMB93.8 million and RMB100.7 million, representing 75.7%, 71.7% and 70.1% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue by our composite products line for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
Cable trench covers	103,840	75.7	93,824	71.7	100,661	70.1
Drainage trench covers	14,347	10.5	19,570	15.0	25,203	17.5
Manhole trench covers	14,275	10.4	14,528	11.1	9,426	6.6
Sub-total	132,462	96.6	127,922	97.8	135,290	94.2
Others[(1)]	4,673	3.4	2,944	2.2	8,355	5.8
Total	137,135	100	130,866	100	143,645	100

Note:

(1) Others primarily consist of sales of cable trays, molds and cast iron manhole covers, agricultural covers and mold repair and maintenance services.

Performance metrics of trench cover products

When evaluating trench cover products, the choice of material fundamentally is a key factor in long term performance and cost efficiency. While traditional materials like concrete and cast iron have established roles in the market, each has distinct limitations. A comparative analysis by Frost & Sullivan reveals the distinct advantages of our trench covers. Concrete trench covers offer a low initial investment cost but are plagued by poor durability, high maintenance needs, and consequently high lifecycle costs. Cast iron trench covers provide excellent load-bearing strength, yet this is counterbalanced by significant drawbacks, such as heavy weight, high susceptibility to corrosion and high procurement cost. In contrast, our trench cover products are engineered to excel where traditional materials fall short. Our composite trench cover products could be further categorized by key processing procedures, namely BMC and SMC. Both BMC and SMC are thermosetting composites that provide superior durability and corrosion resistance compared to materials such as cast iron and concrete. The primary distinction between BMC and SMC lies in a cost-to-performance balance. BMC is characterized by its lower cost while offering advantages such as excellent seismic resistance, ease of installation, and long-term age and corrosion resistance. This combination of affordability and performance makes BMC particularly appropriate for manufacturing small, high-precision structural components. While SMC comes at a relatively higher raw material cost, it offers enhanced mechanical properties and performance over BMC due to its higher proportion of glass fiber content and longer glass fiber length. These enhanced qualities make SMC better suited for large, thin-walled trench covers and complex structural molds.

Overall, our composite trench covers combine a superior strength-to-weight ratio for easier and safer installation with exceptional corrosion resistance that significantly extends service life. Their lightweight properties, minimal maintenance requirements, and outstanding wear and corrosion resistance and durability result in a low overall lifecycle cost. Taken together, these attributes make our composite trench cover products one of the optimal long-term choice for modern urban infrastructure and demanding operating environments.

Our composite trench covers also features Class A2 flame-retardant technology, being one of our six core technologies and a key feature of our flame-retardant cable trench cover products. This feature is available upon customer request. This differentiates our cable trench cover products in the market, particularly for applications that demand high fire safety standards, including power plants, tunnels, and critical infrastructure. While most resin-based composites are easily ignited due to their low limiting oxygen indices, we developed specialized flame-retardant formulations through systematic research on the effects of various flame retardants. By optimizing both formulations and processing parameters, our cable trench cover products achieve a limiting oxygen index exceeding 65% and meet the Class A2 fire rating under the GB 8624-2012 standard indicating non-combustible or limited combustibility materials with minimal contribution to fire propagation and smoke production, along with enhanced mechanical properties.

According to Frost & Sullivan, the key performance metrics for cast iron, concrete, BMC and SMC trench covers are as follows:

Performance Metric	Cast Iron Trench Covers	Concrete Trench Covers	BMC Trench Covers	SMC Trench Covers	Our BMC Trench Covers	Our SMC Trench Covers
Price range *(RMB/sq.m.) (approximately)*	500–700	100–200	100–300	200–500	150–300	250–500
Weight range *(kg/set) (approximately)*	90–120	120–160	60–80	60–80	60–80	60–80
Load capacity *(kN) (approximately)*	125–900	125–250	250–400	250–600	250–400	250–600
Strength *(MPa)*	200–400	20–40	150–250	250–400	150–250	250–400
Durability *(Years)*	15–20	10–15	20–25	>30	25	>30
Seismic resistance	Medium	Poor (fragile edges)	Good	Good	Good	Good
Ease of opening	Easy	Difficult, requires two or more people	Easy, one-person operation	Easy, one-person operation	Easy, one-person operation	Easy, one-person operation
Stability of vehicle passing (sound made when vehicle passes by)	Loud	Medium	Silent	Silent	Silent	Silent
Surface wear resistance	Excellent	Medium	High	Excellent	High	Excellent
Pattern customization	Easy	Difficult	Easy and flexible	Easy and highly flexible	Easy and highly flexible	Easy and highly flexible
Frame fit and compatibility	Medium	Poor	Excellent	Excellent	Excellent	Excellent
Ease of installation	Medium	Medium	High	High	High	High
Corrosion resistance	Poor	Medium	Good	Excellent	Good	Excellent
Aging resistance	Medium	Medium	Good	Excellent	Good	Excellent

The table below sets forth the breakdown of our revenue by production process for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
BMC	132,621	96.7	122,573	93.7	133,832	93.2
SMC	2,277	1.7	6,839	5.2	8,309	5.8
Others[(1)]	2,237	1.6	1,454	1.1	1,504	1.0
Total	137,135	100	130,866	100	143,645	100

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers and mold repair and maintenance.

While China remains our core market, leveraging our R&D capabilities, advanced manufacturing expertise, technological advantages and brand recognition, we are actively pursuing globalization through strategic expansion into key overseas markets.

The following table sets forth a breakdown of our revenue by region for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
Mainland China						
East China[(1)]	57,941	42.3	50,910	38.9	55,525	38.7
Northwest China[(2)]	18,908	13.8	17,450	13.3	25,658	17.9
North China[(3)]	27,628	20.1	33,699	25.8	28,641	19.9
Southwest China[(4)]	9,969	7.3	7,144	5.5	6,890	4.8
Central China[(5)]	15,063	11.0	14,082	10.8	17,420	12.1
Northeast China[(6)]	3,175	2.3	3,221	2.5	5,793	4.0
South China[(7)]	4,084	3.0	2,230	1.7	1,654	1.2
Others[(8)]	nil	nil	2,055	1.6	704	0.5
Subtotal	136,769	99.7	130,791	99.9	142,287	99.1
Overseas	366	0.3	75	0.1	1,358	0.9
Total	137,135	100	130,866	100	143,645	100

Notes:

(1) East China consists of our corporate customers incorporated in the provinces of Shandong, Jiangsu, Zhejiang, Anhui, Jiangxi and Fujian, and the municipality of Shanghai.

(2) Northwest China consists of our corporate customers incorporated in the provinces of Shaanxi, Gansu and Qinghai, and the autonomous regions of Ningxia and Xinjiang.

(3) North China consists of our corporate customers incorporated in the provinces of Hebei and Shanxi, the municipality of Beijing and Tianjin, and the autonomous region of Inner Mongolia.

(4) Southwest China consists of our corporate customers incorporated in the provinces of Sichuan, Guizhou, Yunnan, the municipality of Chongqing and the autonomous region of Xizang.

(5) Central China consists of our corporate customers incorporated in the provinces of Henan, Hubei and Hunan.

(6) Northeast China consists of our corporate customers incorporated in the provinces of Liaoning, Jilin and Heilongjiang.

(7) South China consists of our corporate customers incorporated in the provinces of Guangdong and Hainan, and the autonomous region of Guangxi.

(8) Others consist of our individual customers.

OUR PRODUCTS

We manufacture and supply a comprehensive range of high-performance composite trench cover products, which primarily includes cable trench covers, drainage trench covers and manhole trench covers.

Our composite trench cover products could be further categorized by key processing procedures, namely BMC and SMC. The average glass fiber content in our BMC products is approximately 1.8%, while the average glass fiber content in our SMC products is approximately 15.0%.

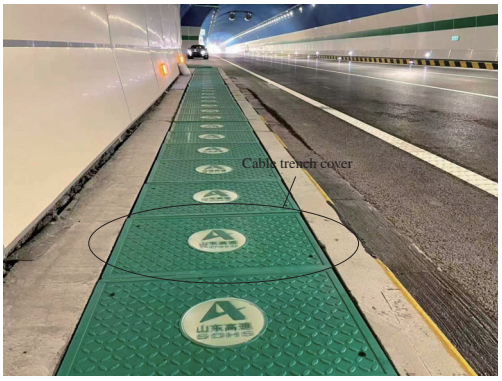
Our product offerings are widely applied across several key downstream industries, serving diverse application scenarios in power, transportation, real estate, municipal, hydraulic, and petrochemical engineering sectors. Our composite trench cover products are customizable, with specifications and configurations available upon request. Our product matrix accommodates non-standard dimensions, specialized features (e.g., fluorescent guidance for emergency escape), and branded customer logos to meet tailored demands from our customers. We also actively promote the intelligent upgrade of our smart cover management system by installing services on our products, and applying IoT technology. This upgrade enables real-time monitoring of our products' positioning, displacement, abnormal opening, damage, and the underground environment.

Cable trench cover

As urban infrastructure evolves with the large-scale underground relocation of overhead cables, our cable trench cover products provide (i) reliable protection against external corrosion for underground wiring, (ii) safe load-bearing capacity for pedestrian areas, and (iii) long-term durability in diverse environmental conditions. Our cable trench covers have been extensively adopted in railway and highway tunnels and power facilities in China, particularly in substations operated by the major national grid operators and leading state-owned power transmission enterprises in China. They are deployed across multiple voltage classes including in 500kV, 330kV, and 220kV substations, as well as in step-up stations and converter stations throughout China.



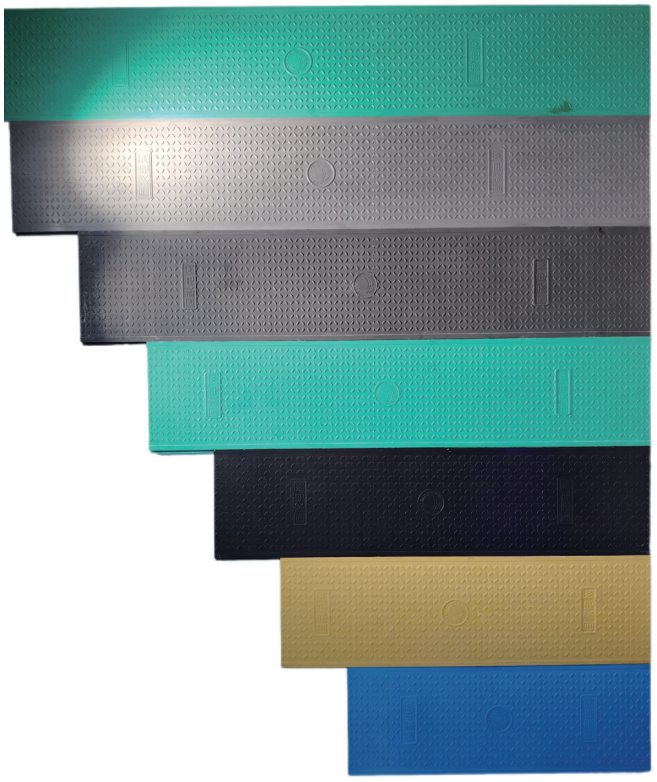
Power facility



Highway tunnel

The following table sets forth key specifications and features of our cable trench covers:

Cable trench cover

Sample pictures	
Price range *(RMB/tonne)*	3,000 to 6,000[1]

Note:

1. Since our core products are customized to our customers' specifications upon request, we price them on a case-by-case basis. The selling price of our core products may vary for different orders during the Track Record Period, depending on the composition and proportion of raw materials required to meet each customer's specific demands.

Key specifications *(length x width)*	We deliver customized trench covers tailored to specific requirements upon request. The following are three key specifications: • 600 x 500 mm • 700 x 500 mm • 800 x 500 mm
Lifespan *(approximately)*	30 years
Key description and features	• Lightweight • High load-bearing • Resistant to acid and alkali corrosion • Rust-proof • Weather resistance • Electrical insulation • Wear resistance • Less susceptible to theft • Precise fit between the trench cover and base ensures minimal gap clearance • Flame retardants can be added to enhance fire resistance

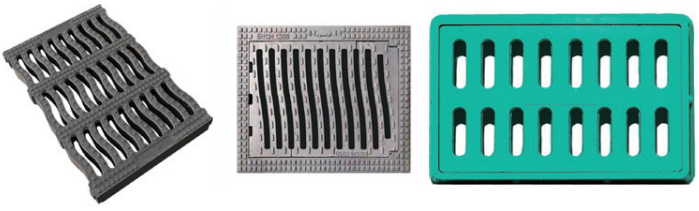
Drainage trench cover

Our drainage trench cover products are widely applied in petroleum refinery plants, municipal infrastructure and other drainage application scenarios. Our drainage trench covers provide dual functionality: (i) ensuring effective water drainage while structurally protecting trenches from vehicular loads and (ii) safeguarding against long-term environmental degradation. With excellent corrosion resistance, our drainage trench covers are particularly suited for use in harsh chemical environments and coastal regions.



Petroleum refinery plants

The following table sets forth key specifications and features of our drainage trench covers:

	Drainage trench cover
Sample pictures	
Price range *(RMB/tonne)*	3,000 to 6,000[(1)]
Key specifications *(length x width)*	We deliver customized trench cover tailored to specific requirements upon request. The following are three key specifications: • 500 x 300 mm • 450 x 750 mm • 600 x 400 mm
Lifespan *(approximately)*	30 years

Note:

1. Since our core products are customized to our customers' specifications upon request, we price them on a case-by-case basis. The selling price of our core products may vary for different orders during the Track Record Period, depending on the composition and proportion of raw materials required to meet each customer's specific demands.

Key description and features

- Large drainage area
- Lightweight
- High load-bearing
- Corrosion resistance
- Rust-proof
- Anti-static
- Wear resistance
- Less susceptible to theft
- Precise fit between the trench cover and base ensures minimal gap clearance
- Exquisite appearance

Manhole trench cover

Our manhole trench cover product provides engineered designs in various geometric configurations to accommodate diverse infrastructure requirements, offering round, square, rectangular, and specialized outer-square-inner-circle designs to address specific installation scenarios and performance needs.

Our manhole trench cover is widely used in critical access points for residential areas, real estate, municipal infrastructure and other locations with underground pipeline inspection sites across broad range of sectors, including but not limited to (i) water supply distribution points ensuring reliable potable water access; (ii) stormwater and sewage systems managing urban drainage; (iii) telecommunications infrastructure supporting network maintenance; (iv) electrical service access points for power grid operations; (v) gas distribution networks requiring secure entry points; (vi) district heating systems in northern urban centers; and (vii) fire protection infrastructure including hydrants and emergency valves.



Municipal road

The following table sets forth key specifications and features of our manhole trench covers:

	Manhole trench cover
Sample pictures	
Price range *(RMB/tonne)*	3,000–8,500[(1)]
Key specifications *(diameter)*	• 600mm • 700mm
Lifespan	30 years
Key description and features	• High sealing performance that prevents water leakages • Lightweight • High load-bearing • Corrosion resistance • Rust-proof • Wear resistance • Less susceptible to theft • Precise fit between the trench cover and base ensures minimal gap clearance • Exquisite appearance

Note:

1. Since our core products are customized to our customers' specifications upon request, we price them on a case-by-case basis. The selling price of our core products may vary for different orders during the Track Record Period, depending on the composition and proportion of raw materials required to meet each customer's specific demands.

Our business flow

The diagram below illustrates the key phases in our integrated production workflow for composite trench covers:

Stage 1 **Pre-order** **(Approximately one to 30 days)**	Our process begins by engaging in preliminary discussions, where our sales team works closely with potential customers to understand their performance, dimension, and application needs and recommend or tailor the right specifications. Subsequently, we also occasionally participate in bidding processes or open tenders, which can lead to pre-orders. We also identify relevant bidding opportunities primarily through online platforms, including local public tender websites and/or websites of potential customers. Our sales team then prepares bid documents for these opportunities. Following a successful bid, we enter into sales contracts with the clients.
Stage 2 **Order Processing** **(Approximately one to seven days)**	Our operational workflow begins when customers place orders specifying product models, quantities, and required delivery schedules. Depending on customers' needs we work closely with our customers on mold design and then present to them for review and approval. Upon receipt, our sales team conducts a comprehensive review of each order to verify commercial terms and operational feasibility. This includes validating payment terms, assessing production capacity, and confirming delivery timelines. Only orders that meet our stringent acceptance criteria are approved and formally transferred to our production team for execution.
Stage 3 **Production Planning** **(Approximately seven to 14 days)**	Upon order approval, our production team initiates comprehensive manufacturing planning by analyzing order specifications alongside technical drawings to determine precise material requirements, labour allocations and production schedule. This planning facilitates efficient resource utilisation throughout the production cycle.
Stage 4 **Raw Material Procurement** **(Approximately seven to 14 days)**	Our procurement team subsequently initiates the sourcing process by obtaining quotations from suppliers, negotiating contractual terms, and finalizing purchase orders that specify material quantities, pricing, and delivery schedules.
Stage 5 **Manufacturing and Quality Control** **(Approximately 30 to 90 days)**	With raw materials secured, our production team oversees the manufacturing process according to the strict internal procedures. See "Business – Production Process". Throughout the production process, we implement rigorous quality control protocols, including in-process inspections and final tests, to ensure that our products delivered meet predefined technical specifications and customer requirements. See "Business – Quality Control".

Stage 6 Delivery and Customer Acceptance (Approximately one to five days)	Prior to delivery, final products undergo final quality assurance checks. Upon delivery, customers inspect the products and sign the delivery receipt, which serves as confirmation of acceptance, confirming the products' compliance with the order terms.
Stage 7 Financial Settlement (Approximately one to five days)	Our finance team completes the business cycle through invoicing, payment collection, deposit and accounts reconciliation.
Stage 8 After-sales (Approximately one year)	Our sales team provides comprehensive after-sales support by handling complaints and resolving disputes to maintain high customer satisfaction.

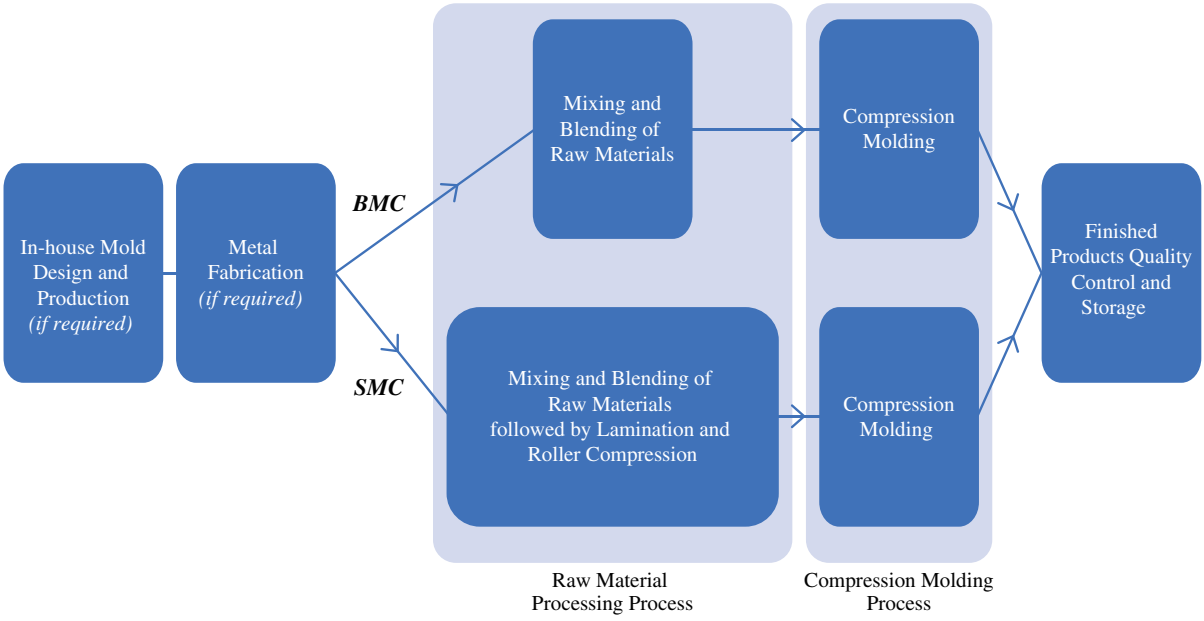
OUR PRODUCTION

Production process

We typically operate on a make-to-order basis for our composite trench covers. To ensure we can meet delivery timelines reliably, we employ a shift rotation system, enabling our facilities to maintain consistent and uninterrupted output. Our production process consists of five key stages: (i) in-house mold design and production (if required), (ii) metal framework reinforcement production (if required), (iii) raw material processing, (iv) compression molding process, and (v) finished products quality control and storage. The raw material processing encompasses both BMC (a thermoset composite material consisting of short glass fiber off-cuts as reinforcing materials) and SMC (a fiber-reinforced thermoset material in sheet form, often with longer glass fiber rolls as reinforcing materials), compression molding process of the raw materials into finished products. The production duration varies depending on several factors including the type of molding compound used (i.e. BMC or SMC), product thickness, geometric complexity, and whether steel reinforcement is incorporated.

Our composite trench cover products manufactured under the BMC production process consistently apply glass fiber off-cuts by weight as reinforcing materials across the composite trench cover product portfolio. Variations within this range depend on the specific product specifications (e.g., load-bearing requirements, product dimensions, or upon request of customers). According to Frost & Sullivan, glass fiber functions as a reinforcing material and there is no industry-prescribed minimum glass fiber content for composite trench cover products. Generally, we determine the proportion of raw materials based on a demand-driven approach upon customers' requests classification. Specifically, our sales team works closely with customers to understand their performance requirements, dimension requirements, and application scenarios. This enables us to recommend suitable product specifications, while also allowing for further tailoring to meet unique customer requirements.

The following flowchart illustrates the key production process of our composite trench cover products:



The primary distinction in BMC and SMC lie in the preparation and handling of the composite material itself, leading to differences in the compression molding process.

The most significant difference lies in the initial material preparation process. For BMC, all raw materials, including unsaturated polyester resin, glass fiber reinforcements, quartz sand, calcium carbonate, additives and other materials are mixed and blended together simultaneously in a kneader to create a homogeneous, putty-like compound. In contrast, the SMC process is a continuous operation. First, the unsaturated polyester resin, additives and other materials are blended into a liquid like homogenous mixture. This liquid-like homogenous mixture is then coated onto a carrier film, uniformly layered with glass fiber, and sealed with a second film. This sandwich structure is then pressed by rollers to thoroughly impregnate the fibers, forming a continuous sheet. This sheet must then undergo a maturation period before it is ready to be cut and used in the molding process.

This fundamental difference in material preparation directly influences the compression molding process. The ready-to-mold BMC compound is a bulk charge that can be placed directly into the preheated mold. The SMC, however, is produced as a continuous sheet and are layered to achieve the desired thickness before being placed into the preheated mold.

1. In-house Mold Design and Production (if required)



The process begins with our in-house design and creation of molds based on product specifications. We maintain close communication with customers throughout this phase to ensure all functional and aesthetic requirements are precisely met. Once approved by customers, custom molds are then manufactured, incorporating specific patterns and structural details. Depending on the design complexity and timing of customers' approvals, this phase typically takes between 15 and 60 days.

2. Metal Framework Production (if required)



If required by the product design, structural metal framework components are fabricated. This process begins with the use of rebar straightening machine to straighten and cut high-strength rebar. The rebar are then fed into mesh drawing machine, where they are welded to create rigid reinforcement frameworks. Each completed framework then undergoes quality check, including dimensional inspections, structural integrity testing, and welding quality review. It takes approximately one minute to produce one to two metal framework(s).

3. Raw Materials Processing Process	
BMC	**SMC**
 *Mixing and Blending of Raw Materials*	 *Mixing and Blending of Raw Materials followed by Lamination and Roller Compression*
The precise preparation of raw materials follows. This involves the automated feeding of raw materials, including unsaturated polyester resin, glass fiber reinforcements, additives, and other materials such as quartz sand and calcium carbonate, in exact formulations to ensure optimal product performance. These raw materials are thoroughly mixed and blended in a kneading machine to create a uniform BMC. This mixing and blending process typically takes approximately 10 to 15 minutes to process a 400 kg batch.	The process begins with the preparation of raw materials including unsaturated polyester resin, additives and inorganic fillers in exact formulations to ensure optimal product performance. These materials undergo blending in a kneading machine. We utilise intelligent equipment control centre to integrate glass fiber reinforcement into the composite material for lamination and roller compression. The compound then undergoes controlled filming through calibrated rollers to form SMC. This process produces approximately three tons of SMC per hour.

4. Compression Molding Process



BMC	SMC
According to product requirements, the mixed BMC is weighed then transferred to the compression molding machine. The process culminates with the integration of the resulting BMC and metal reinforcement framework (which includes rebar reinforcement framework or cast iron reinforcement framework) to be incorporated according to customer's request, and together to be placed into the preheated molds. This is accomplished by a molding process where an oil temperature machine heats the mold, and a molding press forms the trench cover under this elevated temperature and high pressure. The molding process for the production of one piece typically takes between 5 and 30 minutes, depending on product specifications.	According to product requirements, the mixed SMC is cut and then weighed. The resulting SMC and metal reinforcement framework (which includes rebar reinforcement framework or cast iron reinforcement framework) to be incorporated according to customer's request, are then placed into the preheated molds. This is accomplished by a molding process where an oil temperature machine heats the mold, and a molding press forms the trench cover under this elevated temperature and high pressure. The molding process for the production of one piece typically takes between 3 to 30 minutes, depending on product specifications.

5. Finished Products Quality Control and Storage



Once the compression molding is complete, each finished product undergoes quality control inspections. After approval, the finished products are transferred to storage before shipment.

OUR PRODUCTION FACILITIES

Production facilities

Our Company operates three production facilities located across China, specializing in our mold design and production, raw material processing and compression molding processing for the production of our composite trench covers. Currently, we have established three production facilities, namely the Baogai Facility and Zhongdian Facility in Shandong Province, as well as the Baogai (Xi'An) Facility in Shaanxi Province. These facilities are well equipped with machinery, including compression molding machines, kneading machines, oil temperature control units, mesh drawing machines and rebar processing equipment. With an aggregate site area of approximately 42,769 sq.m. and building area of approximately 23,400 sq.m., our facilities support efficient large-scale production.

The following table sets forth details of our production facilities as of the Latest Practicable Date:

Location	Facility	Site Area/ Building Area *(approximately)*	Raw Material Processing Line	Workshop/Machinery	Ownership
Zibo, Shandong Province	Baogai Facility	Site area: 20,000 sq.m. Building area: 8,965.14 sq.m.	• Two BMC processing lines • One SMC processing line	Molding Workshop: • 23 compression molding machines • eight kneading machines • 15 oil temperature control units Reinforcement Bar Workshop: • Five mesh drawing machines • Three rebar straightening machines	100% self-owned
Zibo, Shandong Province	Zhongdian Facility	Site area: 18,900.24 sq.m. Building area: 11,262.21 sq.m.	• Four BMC processing lines	Molding Workshop: • 42 compression molding machines • 12 kneading machines • 24 oil temperature control units Reinforcement Bar Workshop: • Five mesh drawing machines • Two rebar straightening machines	100% self-owned
Xi'An, Shaanxi Province	Baogai (Xi'An) Facility	Building area: 3,866.84 sq.m.	• One BMC processing line	Molding Workshop: • 15 compression molding machines • Four kneading machines • Ten oil temperature control units Reinforcement Bar Workshop: • Three mesh drawing machines • Two rebar straightening machines	Leased

Production capacity

The table below sets forth details of the production capacity, actual output and utilisation rate in our production facilities during the Track Record Period:

	For the Year ended 31 December								
	2023			2024			2025		
	Production Capacity *(units)*[1] *'000*	Actual Output *(units)*[2] *'000*	Utilisation Rate *(%)*[3]	Production Capacity *(units)*[1] *'000*	Actual Output *(units)*[2] *'000*	Utilisation Rate *(%)*[3]	Production Capacity *(units)*[1] *'000*	Actual Output *(units)*[2] *'000*	Utilisation Rate *(%)*[3]
Baogai Facility	890.2	909.8	102.2	923.5	891.2	96.5	1,148.2	1,039.8	90.6
Zhongdian Facility	1,280.8	782.8	61.1	1,280.8	787.7	61.5	1,280.8	861.8	67.2
Baogai (Xi'An) Facility	457.4	194.8	42.6	457.4	258.2	56.5	457.4	341.7	74.7
Total	2,628.4	1,887.4	71.8	2,661.7	1,937.1	72.8	2,886.3	2,243.3	77.7

Notes:

(1) The production capacity for the year is calculated based on the following assumptions: (i) all the compression molding processing lines are operating at full capacity; (ii) our production facilities operate for 270 days on an annual basis (130 days during the first half of the year and 140 days in the second half); and (iii) our production facilities operate for two eight-hours shifts on a daily basis. As our production line primarily manufactures various types of trench covers, our production capacity is based on the compression molding process.

(2) The actual output of the year represents the total quantity of products produced during that year.

(3) The utilisation rate for the year is calculated by dividing the actual output by the production capacity for the same year.

During the Track Record Period, our production capacity remained relatively stable, and our utilisation rate was generally in line with sale volume. Our production was strategically allocated across our three production facilities based on order volume, production schedules, and delivery radius. Our Baogai Facility as our headquarters and key production hub was prioritized in our production scheduling, resulting in a generally higher utilisation rate compared to our other facilities. During the Track Record Period, increased investment in infrastructure construction in Northwest China led to a rise in purchase orders for our Baogai (Xi'An) Facility located in the region, resulting in a gradual increase in its utilisation rate. The ramp up was driven by progressive adjustment of production lines and gradual accumulation of customer orders. At the same time, we optimised our production allocation based on delivery radius and production scheduling, with some products originally planned for production at Baogai Facility being reassigned to the Baogai (Xi'An) Facility and Zhongdian Facilities. As a result, the utilisation rate at Baogai Facility decreased, while the utilisation rate at Zhongdian Facility increased accordingly with the growth in its orders during the Track Record Period.

Production machinery and equipment

The following table sets forth average age and average estimated remaining useful life of our principal owned machinery and equipment across our production facilities as of the Latest Practicable Date:

Principal Machinery and Equipment	Principal Usage	Number of Unit	Average Age	Average Estimated Remaining Useful Life
Compression molding machine (模壓機)	Molding and curing composite materials under controlled high pressure and temperature	79	4.9	5.1
Kneading machine (捏合機)	Mixing the raw materials, including resin, additives, quartz sand, and calcium carbonate, to form a homogeneous compound for production	24	6.2	3.8
Oil temperature control unit (油溫機)	Heating the molds to maintain consistent temperature during the molding process	49	3.5	6.5
Mesh drawing machine (拉網機)	Welding the cut rebars to form a steel reinforcement mesh for structural reinforcement	13	4.7	5.3
Rebar straightening machine (鋼筋調直機)	Straightening and cutting the rebars to the required lengths	7	3.3	6.7

To ensure uninterrupted year-round operations, our maintenance team conducts periodic inspections and maintenance on all machinery. Our employees perform routine checks and basic repairs regularly, supplemented by occasional inspections and maintenance work carried out by external technicians. In the event of material issues affecting our production facilities or equipment, we engage these external technicians to perform necessary repairs. As confirmed by our Directors, during the Track Record Period, we had not experienced material or prolonged production interruptions due to equipment or machinery failures.

OUR CUSTOMERS

Our customers operate in essential sectors including power transmission, transportation networks, municipal utilities, hydraulic engineering, real estate, and petrochemical facilities. While maintaining our strong foundation in China, we are proactively engaging with customers worldwide through our strategic global expansion.

The following table sets forth a breakdown of our revenue by customer type for the years indicated:

	For the year ended 31 December								
	2023			2024			2025		
	No. of Customers	Revenue *RMB'000*	% of total revenue	No. of Customers	Revenue *RMB'000*	% of total revenue	No. of Customers	Revenue *RMB'000*	% of total revenue
Direct Customers	754	99,551	72.6	847	95,263	72.8	1,111	96,524	67.2
Trading Customers	320	37,584	27.4	345	35,603	27.2	234	47,121	32.8
Total	1,074	137,135	100	1,192	130,866	100	1,345	143,645	100

During the Track Record Period, our customers included (i) direct customers and (ii) trading customers. Our direct customers are primarily downstream customers in the infrastructure construction industry, including power transmission, transportation networks, urban public infrastructure, hydraulic engineering, petrochemical facilities, and municipal utilities, with a minority from real estate construction and other industries. The majority of them are private companies engaged in infrastructure projects, with only a small portion comprising state-owned enterprises. They engage with us through our direct sales channel and purchase our products for direct application in their operations. Our trading customers are independent entities that place orders with us based on their end-users' or contractors' requirements, primarily for the purpose of resale.

All of our trading customers operate as independent trading entities under the following strict parameters: (i) we have not entered into any distribution agreements with any trading customers; and (ii) we exercise no ownership, managerial control, or influence over these entities' sales, pricing, or marketing activities. They purchase our products in bulk quantities through independent commercial arrangements and subsequently sell them through their own downstream market channels. To the best knowledge of our Directors, our trading customers primarily engage in the sale of construction materials, and act as intermediaries between our Company and end-users, bridging our Company to broader market segments and extending our reach to end-users we do not directly serve. During the Track Record Period, two, two, and four of our top five customers were trading customers, with share capital ranging from RMB1 million to RMB51 million.

During the Track Record Period, sales to trading customers accounted for approximately 27.4%, 27.2% and 32.8% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Given that the adoption and replacement of composite trench cover is still a gradual process, with products gradually replacing traditional cast iron and cement alternatives, adoption by end users and contractors takes time. In line with common industry practice, many of these downstream customers might procure composite trench covers through trading companies. In this sense, trading companies provide a flexible bridge during this transition: they can aggregate smaller orders, offer a broader selection of specifications, and arrange convenient logistics such as consolidated shipments.

This allows us to maintain efficient and stable production cycles based on larger order volumes, while ensuring that our products remain accessible to customers who might otherwise face constraints on order size, delivery terms, or sourcing flexibility. In this way, our trading customers act as an efficient sales channel, complementing our direct sales efforts and accelerating industry acceptance and adoption of composite trench cover as alternatives to cast iron and cement.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, all of these direct customers and trading customers were Independent Third Parties.

Five largest customers

Revenue from our five largest customers during the Track Record Period amounted to RMB26.3 million, RMB23.9 million and RMB21.3 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing approximately 19.3%, 18.4% and 14.9% of our total revenue for the same respective years.

The tables below set forth the basic information of our five largest customers in each year during the Track Record Period:

For the year ended 31 December 2023

Rank	Customer	Background and principal business activities	Customer type	Products sold to customer	Year of commencement of business relationship with us	Payment method	Credit terms	Sale amount *RMB'000*	% of our total revenue
1.	Customer A	A state-owned company located in Shanxi Province, China, primarily engaging in construction engineering with a share capital of RMB100 million.	Direct customer	Cable trench covers	2022	Bank transfer	One year	7,696	5.6
2.	Customer B[(1)]	A state-owned company headquartered in Beijing City, China and listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, primarily engaging in transportation infrastructure construction with a share capital of approximately RMB16,166 million.	Direct customer	Cable trench covers	2021	Bank transfer	Six months	5,712	4.2
3.	Customer C	A private company located in Shandong Province, China, primarily engaging in construction engineering with a share capital of RMB50 million.	Direct customer	Drainage trench covers	2023	Bank transfer	N/A	4,374	3.2
4.	Customer D	A private company located in Shandong Province, China, primarily engaging in the sale of construction materials with a share capital of RMB30 million.	Trading customer	Cable trench covers, drainage trench covers, manhole trench covers	2021	Bank transfer	N/A	4,328	3.2
5.	Customer E	A private company located in Shaanxi Province, China, primarily engaging in the sale of construction materials with a share capital of RMB51 million.	Trading customer	Cable trench covers	2019	Bank transfer	N/A	4,201	3.1
Total								26,311	19.3

Note:

(1) The revenue amount included amounts from the entities it controlled.

For the year ended 31 December 2024

Rank	Customer	Background and principal business activities	Customer type	Products sold to customer	Year of commencement of business relationship with us	Payment method	Credit terms	Sale amount *RMB'000*	% of our total revenue
1.	Customer A	A state-owned company located in Shanxi Province, China, primarily engaging in construction engineering with a share capital of RMB100 million.	Direct customer	Cable trench covers	2022	Bank transfer	One year	9,044	6.9
2.	Customer F	A branch of a state-owned company located in Shandong Province, China, primarily engaging in construction engineering with a share capital of RMB100 million.	Direct customer	Cable trench covers and manhole trench covers	2023	Bank transfer	One year	4,808	3.7
3.	Customer D	A private company located in Shandong Province, China, primarily engaging in the sale of construction materials with a share capital of RMB30 million.	Trading customer	Cable trench covers; drainage trench covers and manhole trench covers	2021	Bank transfer	N/A	4,059	3.1
4.	Customer G	A private company located in Henan Province, China, primarily engaging in construction engineering with a share capital of RMB117 million.	Direct customer	Cable trench covers	2018	Bank transfer	N/A	3,737	2.9
5.	Customer H	A private company located in Xinjiang Province, China, primarily engaging in the sale of construction materials with a share capital of RMB5 million.	Trading customer	Cable trench covers	2023	Bank transfer	N/A	2,273	1.8
Total								23,921	18.4

For the year ended 31 December 2025

Rank	Customer	Background and principal business activities	Customer type	Products sold to customer	Year of commencement of business relationship with us	Payment method	Credit terms	Sale amount *RMB'000*	% of our total revenue
1.	Customer D	A private company located in Shandong Province, China, primarily engaging in the sale of construction materials with a share capital of RMB30 million.	Trading customer	Cable trench covers, drainage trench covers and manhole trench covers	2021	Bank transfer	N/A	6,425	4.5
2.	Customer E	A private company located in Shaanxi Province, China, primarily engaging in the sale of construction materials with a share capital of RMB51 million.	Trading customer	Cable trench covers and drainage trench covers	2019	Bank transfer	N/A	6,110	4.3
3.	Customer I	A private company located in Qinghai Province, China , primarily engaging in construction engineering with a share capital of approximately RMB150 million.	Direct customer	Cable trench covers	2025	Bank transfer	Three months	3,358	2.3
4.	Customer J	A private company located in Zhejiang Province, China, primarily engaging in the sale of construction materials with a share capital of RMB10 million.	Trading customer	Drainage trench covers	2025	Bank transfer	N/A	2,727	1.9
5.	Customer K	A private company located in Heilongjiang Province, China, primarily engaging in the sale of construction materials with a share capital of RMB1 million.	Trading customer	Others	2025	Bank transfer	N/A	2,689	1.9
Total								21,309	14.9

As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers in each year of the Track Record Period. We did not have any material disputes with our five largest customers, nor did we receive any material complaints from such customers.

All of our five largest customers were Independent Third Parties during the Track Record Period. There was no past or present relationship (including business, employment, financing, family, trust or otherwise) between the five largest customers during the Track Record Period and us, our Directors, shareholders or senior management, or any of their respective associates.

To the best knowledge of our Directors, Shareholders and senior management, none of our Directors, or their respective close associates or any of our Shareholders (who, to the knowledge of the Directors, owned more than 5% of our issued share capital) had any interest in our five largest customers in each year during the Track Record Period.

Major terms with our key customers

We generally do not enter into long-term agreements with our customers. We typically enter into agreements with both our direct and trading customers, the terms of these agreements vary depending on the specific product and the result of our negotiation with each customer. Our general salient terms with both direct and trading customers are as follows:

Product specifications	The agreement specifies the product details including product type, description, model specifications, quantity, and unit price.
Pricing policy	We generally adopt a cost-plus pricing model. See "Business – Sales and Marketing – Pricing Policy".
Payment and credit terms	Payment terms from our key customers generally comprise following two: • Milestone-based payments • Before shipment We typically grant our customers a credit period up to one year, while milestone-based payment may also apply on a case-by-case basis. According to Frost & Sullivan, our credit terms policy is in line with market practice.

Delivery

We generally offer two logistics options for product delivery, subject to mutual agreement between both parties.

- Supplier-arranged transportation: we organize and cover all shipping costs to deliver goods to the designated location, with the customer responsible for unloading.

- Customer-arranged transportation: the customer arranges and pays for their own transportation, in which case our responsibility concludes upon completing the loading process at our facility.

Transfer of risks

Risks are transferred to our customers when the products are accepted by them.

Revenue is recognized when our performance obligation is fulfilled, that is, our products are delivered and the customer accepts our products.

Product returns and warranty

As the majority of our products are customized, we generally do not accept returns. However, in the event that the delivered product fails to meet the agreed product type, model, or specifications materially, the customer is entitled to a return or replacement, all of our products are otherwise covered by our warranty policy.

We generally provide a 12-month warranty covering material and manufacturing defects, effective from the date of product receipt. The warranty expressly excludes damages resulting from improper installation, mishandling, normal wear and tear, or any unauthorized modifications.

According to Frost & Sullivan, our return and warranty policies are in line with market practice.

We did not receive any material product returns from our customers during the Track Record Period and up to the Latest Practicable Date, and to the best knowledge of our Directors and senior management, there were no potential material product returns as of the Latest Practicable Date.

During the Track Record Period, we have not received any material warranty claims for our products.

Termination

The agreement can generally be terminated by either party with prior written notice to the other party.

Prevention of channel stuffing

We believe that our sales figures align with actual market demand, and therefore, the risk of channel stuffing within our distribution network is relatively low. The reasons are as follows:

(1) Our trading customers function as independent entities over which we exert no control regarding their sales, pricing, or marketing activities. We did not set mandatory sales targets, as we consider that this practice motivates them to place orders according to the actual needs of their end-users or contractors, primarily for the purchase of resale, thus ensuring that procurement volumes correspond to real market demand.

(2) Our sales model involves the full transfer of product ownership upon receipt of goods, and unsold inventory is non-returnable, except in cases of material and manufacturing defects, effective from the date of product receipt. This model shifts the responsibility and risk of unsold inventory to our trading customers. Since trading customers' capital is tied up in inventory, they are motivated to place orders based on actual sales needs, thereby reducing holding costs and the risk of unsold stock.

We have implemented various measures to prevent channel stuffing. According to our sales agreements, returns are not permitted unless there are product quality issues, which helps us minimize the risk of channel stuffing. We also monitor product sales by considering order volumes, historical data, regulatory changes, and other market factors.

During the track record period and up to the Latest Practicable Date, we have not observed any unusually large purchases inconsistent with ordinary purchase pattern and practices, nor have we detected abnormally high inventory levels among trading customers.

Customer service and after-sales account management

Since our customizable products accommodate non-standard dimensions, specialized functional requirements such as fluorescent guidance for emergency escape, and branded customers logos, we cooperate closely with our customers, particularly during the design phase of our production process, to ensure that we provide our customers with satisfactory services and products that meet their expectations. Specifically, we communicate with our customers frequently during the design phase. We maintain a dedicated account management model, where each sales representative is responsible for servicing their assigned customers, and collect customer feedback to ensure they are satisfied with our products and services.

OUR SUPPLIERS

We procure various raw materials from our suppliers, including unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand, calcium carbonate and others. Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB46.4 million, RMB45.4 million and RMB43.7 million, respectively, representing 75.8%, 76.3% and 67.5% of our total purchase for the years ended 31 December 2023, 2024 and 2025, respectively. Such overall continuing decrease in costs of raw materials were benefited from our measurements to enhance bargaining power with our relevant suppliers by the establishment of cooperation relationship with increasing number of suitable suppliers in return for more competitive prices offered therefrom.

The tables below set forth the basic information of our top five suppliers in each year during the Track Record Period:

For the year ended 31 December 2023

Rank	Supplier	Background and principal business activities	Products supplied to us	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amount *RMB'000*	% of our total purchase
1.	Supplier A	A private company located in Shandong Province, China, primarily engaging in the sale of unsaturated polyester resins with a share capital of RMB6 million.	Unsaturated polyester resins	2020	Bank transfer	Up to 60 days	26,098	42.6
2.	Supplier B[(1)]	A private company located in Shandong Province, China, primarily engaging in the sale of steel reinforcement framework and metal products with a share capital of RMB10 million.	Rebar	2009	Bank transfer	Up to 60 days	11,684	19.1
3.	Supplier C	A private company located in Shandong Province, China, primarily engaging in the production and sale of quartz sand and calcium carbonate with a share capital of RMB6 million.	Quartz sand, and calcium carbonate	2020	Bank transfer	Up to 60 days	3,536	5.8
4.	Supplier D	A private company located in Hebei Province, China, primarily engaging in the processing of cast iron reinforcement framework and metal components with a share capital of RMB5 million.	Cast iron reinforcement framework	2019	Bank transfer	Up to 60 days	3,362	5.5
5.	Supplier E	An individual industrial and commercial households located in Shandong Province, China, primarily engaging in the production and sale of quartz sand and calcium carbonate with a share capital of RMB50 thousand.	Calcium carbonate	2020	Bank transfer	Up to 60 days	1,729	2.8
Total							46,409	75.8

Note:

(1) The revenue amounts included amounts from its related entities.

For the year ended 31 December 2024

Rank	Supplier	Background and principal business activities	Products supplied to us	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amount *RMB'000*	% of our total purchase
1.	Supplier A	A private company located in Shandong Province, China, primarily engaging in the sale of unsaturated polyester resins, with a share capital of RMB6 million.	Unsaturated polyester resins	2020	Bank transfer	Up to 60 days	24,964	41.9
2.	Supplier B[(1)]	A private company located in Shandong Province, China, primarily engaging in the sale of steel reinforcement framework and metal products with a share capital of RMB10 million.	Rebar	2009	Bank transfer	Up to 60 days	11,143	18.7
3.	Supplier D	A private company located in Hebei Province, China, primarily engaging in the processing of cast iron reinforcement framework and metal components with a share capital of RMB5 million.	Cast iron reinforcement framework	2019	Bank transfer	Up to 60 days	3,850	6.5
4.	Supplier C	A private company located in Shandong Province, China, primarily engaging in the production and sale of quartz sand and calcium carbonate with a share capital of RMB6 million.	Calcium carbonate	2020	Bank transfer	Up to 60 days	2,889	4.9
5.	Supplier F	A private company located in Shandong Province, China, primarily engaging in logistics and transportation with a share capital of RMB5 million.	Logistic and transportation	2019	Bank transfer	Up to 60 days	2,577	4.3
Total							45,423	76.3

Note:

(1) The purchase amounts included amounts from its related entities.

For the year ended 31 December 2025

Rank	Supplier	Background and principal business activities	Products supplied to us	Year of commencement of business relationship with us	Payment method	Credit terms	Purchase amount *RMB'000*	% of our total purchase
1.	Supplier A	A private company located in Shandong Province, China, primarily engaging in the sale of unsaturated polyester resins with a share capital of RMB6 million.	Unsaturated polyester resins	2020	Bank transfer	Up to 60 days	13,538	20.9
2.	Supplier B[(1)]	A private company located in Shandong Province, China, primarily engaging in the sale of steel reinforcement framework and metal products with a share capital of RMB10 million.	Rebar	2009	Bank transfer	Up to 60 days	11,368	17.6
3.	Supplier G	A private company located in Jiangsu Province, China, primarily engaging in the sale of unsaturated polyester resins and chemical raw materials with a share capital of RMB2 million.	Unsaturated polyester resins	2025	Bank transfer	Up to 60 days	11,007	16.9
4.	Supplier C	A private company located in Shandong Province, China, primarily engaging in the production and sale of quartz sand and calcium carbonate with a share capital of RMB6 million.	Calcium carbonate	2020	Bank transfer	Up to 60 days	3,942	6.1
5.	Supplier D	A private company located in Hebei Province, China, primarily engaging in the processing of cast iron reinforcement framework and metal components with a share capital of RMB5 million.	Cast iron reinforcement framework	2019	Bank transfer	Up to 60 days	3,876	6.0
Total							43,732	67.5

Note:

(1) The purchase amounts included amounts from its related entities.

All of our five largest suppliers were Independent Third Parties during the Track Record Period. To the best knowledge of our Directors, Shareholders and senior management, none of our Directors, or their respective close associates or any of our Shareholders (who, to the knowledge of the Directors, owned more than 5% of our issued share capital) had any interest in our top five suppliers in each year during the Track Record Period. Additionally, we did not experience any material disputes with our suppliers during the Track Record Period.

Glass fiber suppliers

During the Track Record Period, we had five, two, and eight glass fiber suppliers. We procure and use glass fiber off-cuts for our BMC production process, and glass fiber rolls for our SMC production process. Glass fiber off-cuts are commonly used in BMC production to provide reinforcement within the composite matrix. According to Frost & Sullivan, glass fiber off-cuts are fundamentally glass fiber, with their chemical composition remains that of fiberglass, and they retain the core physical properties required for reinforcement in composite materials, such that their use does not compromise the integrity or functionality of the end product and is consistent with industry practice. On the other hand, glass fiber rolls consist of continuous filaments wound into rolls, and are commonly used in processes such as SMC production process where long, uninterrupted fibers are required. As such, glass fiber rolls cannot be directly incorporated into the BMC production process without undergoing a separate processing step, namely chopping and reducing them to the requisite short-length format. Therefore, it is economically practical to procure glass fiber off-cuts directly for the BMC production process. These materials are readily available in the required short-length format, eliminating the need for additional chopping, processing time, labour, and equipment utilisation. According to Frost & Sullivan, our procurement of different types of glass fiber is consistent with industry practice. During the Track Record Period, purchasers from our top glass fiber supplier in each year amounted to RMB0.1 million, RMB0.4 million, and RMB0.5 million, respectively, representing approximately 42.5%, 84.4% and 43.2% of our total purchase for glass fiber. During the Track Record Period, our procurement price range of glass fiber off-cuts and glass fiber rolls was approximately RMB800 to RMB2,000 per tonne and RMB4,100 to RMB4,400 per tonne respectively. According to Frost & Sullivan, our procurement price range of glass fiber off-cuts and glass fiber rolls were in line with the prevailing market rates. All of our glass fiber suppliers are independent third parties during the Track Record Period.

The table below sets forth the basic background information of our top glass fiber supplier in each year during the Track Record Period:

For the year ended 31 December	Glass fiber supplier	Background and principal business activities
2023	GF Supplier 2023	A private company located in Shandong Province, China, primarily engaged in the production of glass fiber, with a registered share capital of RMB1 million.
2024	GF Supplier 2024	A private company located in Anhui Province, China, primarily engaged in the sales and production of glass fiber, with a registered share capital of RMB0.4 million.
2025	GF Supplier 2025	A state-owned company located in Shandong Province, China, primarily engaged in the sales and production of glass fiber, with a registered share capital of RMB4,581 million.

The key salient terms of the glass fiber procurement agreements entered into between our Group and our glass fiber suppliers during the Track Record Period are as follows:

Product type	Glass fiber off-cuts and glass fiber rolls
Payment	Bank transfer
Credit period	Credit terms are generally not offered to us. Monthly settlement is available from certain glass fiber suppliers.
Transfer of risk	Risks are transferred to us when we accept the product upon delivery.
Quality guarantee	Comply with national industry standards
Termination	We may terminate the contract if the glass fiber supplier fails to meet quality standards with notice.

During the Track Record Period and up to the Latest Practicable Date, our Company did not experience any material breach of the agreements with our glass fiber suppliers.

Supplier selection and procurement management

We maintain a rigorous procurement approach to ensure the consistent quality and stable supply of raw materials essential for our production operations. Procurement activities are carefully planned based on production schedules, inventory levels and production forecasts, with a strong emphasis on long-term partnerships with trusted suppliers. This strategy not only secures stable supply of raw materials but also enhances cost efficiency through volume-based pricing advantages. Furthermore, according to Frost & Sullivan, our procurement practice is consistent with prevailing industry practice, whereby strategic sourcing and close working relationships with certain trusted suppliers are often leveraged to secure supply, quality and pricing stability.

When selecting suppliers, we take into account a number of factors, including but not limited to the supplier's duration of operation, compliance with onboarding standards, compliance tax payment records and integrity in business operations. We have implemented a supplier management system that governs the onboarding of suppliers, management of qualified suppliers and termination of unqualified suppliers to ensure the efficiency of our supplier management processes. We carry out performance assessments of our suppliers on a regular basis to ensure the quality of their products and services, and inform them of our assessment results and rectification requirements. In addition, we examine the raw materials and components we receive to ensure the consistent quality of our products.

While we concentrated purchases from a key supplier per core raw material during the Track Record Period, we have also maintained a pool of qualified suppliers for our core raw materials. During the Track Record Period, we strategically focused our procurement of key raw materials, such as unsaturated polyester resins, rebar, and cast iron reinforcement frameworks, with our key suppliers to optimize cost and quality. We generally do not enter into long-term supply agreements with fixed price arrangements, which is in line with industry norm, according to Frost & Sullivan. We typically enter into supply agreements with our suppliers, the salient terms of which are set forth below:

Product specification	We specify the product name, specification, price, quantity, delivery timeline and other detailed items in each supply agreement.
Payment terms	Each supply agreement specifies whether payment shall be made by prepayment and/or within a designated period after receiving the materials.
Credit period	We typically are granted credit terms ranging from 10 to 60 days.
Logistics	We are responsible for making timely payments to our suppliers, who are responsible for delivering qualifying products to our designated locations.
Quality guarantee	Products are typically accepted in accordance with our specifications, as well as national, local or industry standards. Should any quality issues arise during the warranty period, the supplier shall be responsible for replacement.
Termination	Some of the supply agreements are terminable upon breach of the same with written notice.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of the agreements with our suppliers.

Strategic supplier relationships

We maintain a deliberate focus on concentrated supplier relationships, with our top five suppliers accounting for 75.8%, 76.3% and 67.5% of our total purchase for the years ended 31 December 2023, 2024 and 2025, respectively. According to Frost & Sullivan, such supplier concentration is in line with industry norm, primarily driven by the following two factors: (i) high barriers to entry create a significant need for investment in mold development, advanced manufacturing equipment, and technical expertise to meet stringent standards; and (ii) the limited availability of specialized testing and certification facilities, characterized by the sparse distribution and high cost of replicating the necessary heavy-load testing laboratories and certification centers. In addition, this concentration stems from the specialized nature of our raw material requirements and our commitment to maintaining strict quality standards. Our strategy focuses on building long-term partnerships with suppliers who provide both high-quality materials and competitive pricing. This approach ensures product stability and cost efficiency. As part of this strategy, we purchase raw materials in bulk, which also allows us to secure volume discounts. We have established long-standing business relationship with our top five suppliers during the Track Record Period for an average of approximately seven years. We solicit competitive bids from multiple suppliers to secure the best offer, which we then leverage as a benchmark to negotiate for better terms. This high concentration ratio reflects our strategic prioritization of material consistency and production stability over broad supplier diversification. See "Risk Factors – Risks Relating to Our Business and Industry - Our reliance on a small group of suppliers could adversely affect our business". By cultivating deep, long-term partnerships with select high-quality providers, we ensure reliable access to premium raw materials while benefiting from preferential terms and priority supply allocation during market fluctuations.

Despite the fact that the abovementioned figures suggest a certain degree of supplier concentration, our Directors are of the view that we are not overly reliant on any single supplier or group of suppliers and such concentration would not impact our business sustainability based on the following reasons:

(i) we consider various factors when selecting and managing our suppliers, according to which we have developed a list of qualified suppliers over the years. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any quality issues or supply interruption relating to the products or services provided by our suppliers or experience any material dispute with our suppliers. We consider and evaluate new suppliers to seek to enlist additional qualified suppliers from time to time;

(ii) according to Frost & Sullivan, the major raw materials we procure, such as cast iron, rebar and unsaturated polyester resins, are generally readily available from numerous suppliers in the market. As a result, when our existing suppliers of such raw material are unable to take orders from us or we experience any supply shortage, quality issues or other disputes with them in the future, we believe that we can make purchases from alternative qualified suppliers from our internal list of qualified suppliers or in the market at comparable price and quality, including Supplier A. In fact, we had taken further steps to diversify our supplier base and have successfully reduced our raw material procurement from Supplier A by approximately 50% in 2025, with the reduced volume redirected to Supplier G; and

(iii) in line with the industry practice, we generally do not enter into long-term engagements with our suppliers but rather one-off contracts. This offers our Group flexibility to select new suppliers and diversify our supplier base from time to time. In the long run, with further expansion of our product offerings, we intend to engage more new suppliers that meet our requirements of suppliers and the needs of our customers.

OVERLAPPING CUSTOMER AND SUPPLIER

During the Track Record Period, one of our five largest customers. namely Customer D, was also our supplier ("**Overlapping Customer and Supplier**"). We had sold composite cable trench covers, composite drainage trench covers and composite manhole covers to the Overlapping Customer and Supplier, and procured cast iron drainage trench covers from such Overlapping Customer and Supplier.

For the years ended 31 December 2023, 2024 and 2025, generating revenue from the Overlapping Customer and Supplier amounted to RMB4.3 million, RMB4.1 million and RMB6.4 million, which represented 3.2%, 3.1%, and 4.5% of our total revenue, respectively. There were no purchases from such Overlapping Customer and Supplier during the Track Record Period except for the year ended 31 December 2024 which amounted to RMB0.06 million, representing 0.1% of our total purchases.

The table below sets out the total sales and total purchases attributable to/from Overlapping Customer and Supplier for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
Sales			
Revenue *(RMB'000)*	4,327.6	4,058.6	6,425.2
Percentage of our total revenue *(%)*	3.2	3.1	4.5
Gross profit *(RMB'000)*	1,400.9	1,351.2	2,385.7
Gross profit margin *(%)*	32.4	33.3	37.1
Purchases			
Purchase *(RMB'000)*	nil	61.2	7.4
Percentage of our total purchase *(%)*	nil	0.1	nil

Occasionally, some of our customers also requires cast iron covers for their specific applications or needs. To meet this complementary demand, we offered these cast iron covers alongside our main composite products by purchasing cast iron covers from such Overlapping Customer and Supplier, resulting in the same entity appearing as both a supplier and a customer.

Negotiations of the terms of our agreements with the Overlapping Customer and Supplier with respect to such overlapping transactions were conducted on an individual basis. Our Directors confirmed that all such transactions with the Overlapping Customer and Supplier during the Track Record were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

QUALITY CONTROL

Quality control and assurance serve as the cornerstone of our competitive advantage and business growth. We have implemented a comprehensive quality management system certified under GB/T 19001-2016/ISO 9001:2015 Quality Management System Certification* (質量管理系統認證), demonstrating our commitment to stringent quality standards. Our quality control system spans the entire production cycle, from raw material procurement to final product delivery, ensuring compliance with national standards, industry standards, group standards, and our stringent internal requirements.

Our quality assurance process begins with rigorous supplier qualification and material verification. The quality control team conducts regular supplier audits while all incoming materials undergo thorough testing for specifications, weight, and quality before entering production. During manufacturing, we maintain strict process controls through dimensional verification, material distribution monitoring, and structural integrity testing. Prior to delivery,

every product completes a multi-stage final inspection verifying specification compliance, surface quality, and functional performance.

To ensure continuous improvement, we conduct regular quality audits, analyze defect trends, and implement corrective actions to maintain consistent product excellence. Our commitment to quality ensures we meet industry standards and customer expectations.

We recognize that product quality directly impacts customer satisfaction, which is why we integrate quality control with our research and development efforts. Through close collaboration with both customers and suppliers, we actively incorporate feedback to enhance product quality and customer experience throughout our operations.

SALES AND MARKETING

Sales and marketing

Our sales and marketing team is responsible for identifying new business opportunities and building lasting relationships with both prospective and existing customers. Our sales and marketing team maintains close communication with our customers to understand their evolving needs and market developments, thereby fostering strong, long-term partnerships. We employ a structured approach designed to drive downstream market expansion while ensuring long-term customer retention. To develop new business opportunities, we leverage multiple channels, including digital marketing campaigns, participation in industry exhibitions, targeted customer engagement initiatives, and competitive bidding.

To enhance our visibility and customer engagement, we deploy targeted campaigns across media and digital platforms to highlight our technological innovations and flagship projects. We also participate in industry exhibitions, such as the Sixth China Petroleum and Chemical Industry Procurement Conference* (中國石油和化工行業採購大會) in 2022, the Indonesia International Construction Materials Exhibition* (印尼國際建材展會) in 2023, and the Shandong China Expert Commodities (Tanzania) Exhibition* (中國山東出口商品(坦桑尼亞)展覽會) in 2024, which allows us to showcase our advanced manufacturing capabilities and customized solutions through interactive demonstrations. Furthermore, we produce technical guidelines, case study videos, and standards interpretation materials to reinforce our reputation as an industry innovator.

Pricing policy

We generally adopt a cost-plus pricing model, where profit margins are adjusted based on factors, including but not limited to, (i) order volume and delivery schedule, (ii) market demand and customer recognition of our products; (iii) prevailing market prices of comparable trench covers in the market, (iv) procurement and production costs for the products, (v) logistics costs and other miscellaneous costs and expenses, and (vi) payment conditions.

Among the aforementioned factors, cost of raw material is the main consideration when we price our composite trench cover products for each purchasing order. To be more specific, we would estimate the total amount of each raw materials to be consumed for processing relevant composite trench cover products, which is multiplied by their respective unit price at which we purchase from our suppliers. Through such calculation, we may derive our products' cost of raw materials for per unit.

We retain the flexibility to initiate additional negotiations in response to significant market changes, such as raw material price volatility or competitive shifts. All pricing decisions are benchmarked against current market conditions to balance competitiveness with sustainable margins.

LOGISTICS

Our strategically located facilities enable efficient product delivery while minimizing transportation costs. We primarily deliver our products via land transportation for our domestic customers in China. We engage experienced third-party logistics providers under service agreements to ensure timely and secure deliveries. Our contracts with these logistics providers include specific transportation standards for our products. This ensures reliable, cost-effective logistics operations while mitigating risks and maintaining service quality.

INVENTORY MANAGEMENT

Our inventories consist of raw materials, work-in-progress and finished goods. As of 31 December 2023, 2024 and 2025, our inventories were RMB9.2 million, RMB11.1 million and RMB13.4 million, respectively. We actively manage our inventory by adjusting our production, sales and inventory plans for the next six months on a monthly basis. This process is based on market demand forecasts and factors such as price fluctuations of raw materials and components. Through our sales and operations planning system and taking into consideration the procurement cycle, we place orders for raw materials, maintaining sufficient supply of our products. Our strategic inventory items primarily consist of resin, quartz sand, calcium carbonate, and rebar, for which we maintain appropriate levels of stock to mitigate supply chain disruption risk.

SEASONALITY

Since our composite trench cover products are primarily for municipal construction, engineering and infrastructure needs, our business experiences predictable seasonal fluctuations in demand, primarily driven by construction activity patterns across different regions.

According to Frost & Sullivan, in East China, Northwest China, North China and Central China, the infrastructure sector typically follows a cyclical pattern where project completion peaks during the third and fourth quarters of the year. During the third and fourth quarters of the year, we experienced heightened demand for the delivery of our composite trench cover products as major infrastructure projects accelerated their implementation and completion timelines. Therefore, our delivery of composite trench cover products usually concentrated in the third and fourth quarters of the year. For details, see "Financial Information – Major Factors Affecting Our Financial Condition and Results of Operations – Seasonality".

COMPETITION

We primarily compete with domestic enterprises in the trench cover industry. See "Risk Factors – Risks Related to Our Business and Industry – We operate in a highly competitive industry and may not be able to maintain our current market position against existing and potential competitors".

We differentiate ourselves from our competitors through: (i) our dedicated experience in the industry; (ii) our advanced R&D and technological capabilities; (iii) our comprehensive product offerings and product quality, in-house mold manufacturing with standardized automated production lines and quality control; and (iv) our strong reputation and reliability in meeting product expectations and delivery schedules. We believe that we will not only sustain but enhance our competitive edge and market position by strategically building upon our core strengths. See "Business – Our Strengths" and "Industry Overview".

EMPLOYEES

We believe that our professional workforce is the driving force of our long-term growth. As of the Latest Practicable Date, we had a total of 200 employees in China. The following table sets forth the breakdown of our employees by function as of the Latest Practicable Date.

Employee function	Number of employees	Percentage of employees *(%)*
Procurement and production	110	55.0%
Sales and marketing	37	18.5%
R&D	21	10.5%
Quality control	3	1.5%
Finance	9	4.5%
Securities and Legal	4	2.0%
Administrative	16	8.0%
Total	**200**	**100.0**

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We maintain a fair and open recruitment process for all candidates. Selection is based solely on qualifications, work experience, and skills, without regard to age, gender, race, nationality, or other non-merit factors. We enter into individual employment contracts with successful candidates, detailing terms of employment, such as compensation, benefits, and termination conditions. As part of our retention strategy, we offer our employees competitive salaries which are generally based on performance of the individual employees and the overall performance of our business.

We maintain rigorous standards for employee qualifications and ongoing development. Prior to employment, we verify the relevant qualifications and certifications of new employees. Upon joining, our employees undergo a comprehensive three-level safety education training program, which establishes a strong foundation in workplace safety protocols and best practices. To support continuous learning, each department conducts customized monthly training sessions designed to address specific operational needs and skill development requirements. Additionally, the county labor union conducts biannual on-site training programs within our Company. Our structured training system combines orientation programs with ongoing on-the-job training, delivered through interactive in-person workshops to enhance engagement and retention. The orientation programs cover corporate culture, policies, business introduction, and daily operations, while our ongoing training programs address everything from day-to-day operations to advanced management skills.

We prioritize occupational health and safety awareness through mandatory pre-employment and ongoing education programs developed by our dedicated safety and environmental department. Our production department further reinforced a culture of safety through regular emergency preparedness drills, including simulated accident scenarios and group safety workshops.

We have established labor unions that protect employees' rights, encourage employee participation in management decisions and assist in mediating disputes between us and union members. During the Track Record Period and up to the Latest Practicable Date, we had maintained a good relationship with our employees and did not have any material labor dispute.

PROPERTY

Our headquarter office is located in Zibo, Shandong Province. As of the Latest Practicable Date, we own two properties and leased one property in China for our business operations.

Owned properties

As of the Latest Practicable Date, we owned land use rights of two parcels in Zibo, Shandong Province which are designated for our production and operations at Baogai Facility and Zhongdian Facility, with an aggregate site area of approximately 38,900.24 sq.m. and aggregate land area of approximately 20,227.35 sq.m.. The two land parcels have been granted land use rights certificates.

Pursuant to Rule 8.01A(2) of the GEM Listing Rules, a listing applicant's property interests that do not form part of its property activities are exempt from the valuation requirement if the carrying amount of the property interests is below 15% of its total assets. See "Property Valuation" in Appendix III to this document. As of the Latest Practicable Date, save as disclosed in Appendix III to this document, no single property interest that forms part of our non-property activities had a carrying amount of 15% or more of our total assets as shown in our latest audited consolidated financial statements.

The following table sets forth details of the properties owned by our Group as of the Latest Practicable Date:

Location	Registered owner	Site area *(approximately)*	Number of buildings	Main usage	Term of land use rights	Title defect
No. 9, Hezhuang Village, Zibo Economic Development Zone	Our Company	20,000.00 sq.m.	Eight	Production and operations	March 2024–March 2071	Some of our buildings do not have building ownership certificate (房屋所有權證書)*(1)*
No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province	Zhongdian (Shandong)	18,900.24 sq.m.	Six	Production and operations	December 2006–December 2046	N/A

Note:

(1) Our Company utilises five uncertified temporary structures with a total floor area of approximately 1,999.17 sq.m. serving as storage shed, temporary hazardous waste storage, temporary garage, restrooms and showers, and guardhouse.

As advised by our PRC Legal Adviser, save as disclosed above, see "Business – Legal Proceedings and Non-compliance" and "Risk Factors", our ownership of the land use rights in our owned properties were in compliance with the applicable PRC laws and regulations in all material respects as of the Latest Practicable Date.

Defective titles of our owned property

The table below sets forth details of our owned property with defective titles as of the Latest Practicable Date:

Property	Reason for and nature of title defect	Legal consequences	View of our PRC Legal Adviser	Remedial actions
(2024) Zibo Economic Development Zone Real Estate Ownership Certificate No. 0002285* (魯(2024)淄博經開區不動產權第0002285)	We have not obtained building ownership certificates for five structures with a total floor area of approximately 1,999.17 sq.m.. These uncertificated facilities include: • Storage Warehouse: 357.50 sq.m. • Temporary Hazardous Waste Storage: 16.82 sq.m. • Temporary Garage: 1,537.25 sq.m. • Restrooms & Shower Facilities: 57.00 sq.m. • Security Guard Room: 30.60 sq.m. The reasons for the incidents were mainly due to (i) administrative oversight; (ii) our employees were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and (iii) our relevant employees did not seek proper advice from external advisers or our management team.	According to the PRC Urban and Rural Planning Law《中華人民共和國城鄉規劃法》, temporary constructions must be dismantled, and the land must be restored to its original condition before the approved usage period expires. Failure to obtain approval for temporary construction, noncompliance with approved plans, or failure to dismantle temporary buildings or structures beyond the approved deadline will result in the urban or county government's urban and rural planning department ordering their removal within a specified timeframe. Additionally, a fine may be imposed, not exceeding the cost of the temporary construction project.	As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations, the relevant government authorities may require us to dismantle the related properties and impose fines up to 100% of the construction costs if we fail to obtain the requisite building ownership certificate and fail to rectify in the time periods stipulated by the relevant authorities.	Our Directors believe that the defects in the ownership of the building would not materially and adversely affect our business, results of operations and financial condition, primarily because: (i) as confirmed by our PRC Legal Adviser, the failure to obtain the building ownership certificate of the building would not have a material adverse effect on our production and operations; (ii) the property accounts for a relatively small area of the total buildings occupied by us, representing 9.88% of the aggregate building area; and (iii) as of the Latest Practicable Date, we primarily used this building as a temporary garage, and if we were ordered to suspend our use of this building, we do not anticipate any material difficulty in identifying comparable alternative premises for operation use, and our general production activities would not be materially disrupted.

Property	Reason for and nature of title defect	Legal consequences	View of our PRC Legal Adviser	Remedial actions
			According to the certificate issued by the Construction Bureau of Zibo Economic Development Zone Management Committee* (淄博經濟開發區管理委員會建設局) on 25 March 2026, a competent authority as advised by our PRC Legal Adviser, the lack of building ownership certificates for the aforementioned five structures does not constitute a major violation of PRC laws and regulations, and the said Bureau has not and will not impose any administrative penalties on us as a result. In addition, pursuant to the public credit report issued by the Social Credit Center of Shandong Province* (山東省社會信用中心) on 21 June 2026, a competent authority as advised by our PRC Legal Adviser, no record of administrative penalties, serious dishonesty, or other illegal or non-compliant activities has been found pertaining to our Company in the fields of natural resources and planning, housing and urban-rural development, and fire safety during the Track Record Period.	We have obtained the written confirmation from relevant competent authorities, which set out that no administrative penalties will be imposed on us in terms of the building on 30 August 2024. Mr. Liu Zhentao and Ms. Li Xiaoyan, our Controlling Shareholders, have irrevocably pledged to indemnify the Group against all losses arising from regulatory enforcement actions related to uncertified buildings with title defects, including demolition costs and penalties, without recourse.

Property	Reason for and nature of title defect	Legal consequences	View of our PRC Legal Adviser	Remedial actions
			We have obtained the written confirmations from relevant competent authorities, which set out that no administrative penalties had been imposed on us in terms of the building during the Track Record Period. We have obtained an indemnity letter from the Controlling Shareholders to indemnify our Group against any losses caused by the defects in the ownership of the building. Based on the above, our PRC Legal Adviser is of the view that failure to obtain the building ownership certificate of the building will not have a material adverse effect on our production and operations, and the risk of the relevant authorities imposing any other administrative penalties for failing to obtain the requisite building ownership certificate is low.	

Leased property

As of the Latest Practicable Date, we leased one property in Xi'An, Shaanxi Province with an aggregate building area of approximately 3,866.84 sq.m.. The following table sets forth a details of our leased property:

Location	Lessor/lessee	Building area *(approximately)*	Main usage	Term of lease
Building A20, Lantian Sanyuan Technology Innovation Park	Lantian Sanyuan Environmental Protection Technology Industrial Park Co., Ltd.* (藍田三元環保科技產業園區有限公司) (lessor) Xi'An Baogai (lessee)	3,866.84 sq.m.	Production and operations	November 2021–December 2027

As of the Latest Practicable Date, the lease agreement entered into between Lantian Sanyuan Environmental Protection Technology Industrial Park Co., Ltd. and Xi'An Baogai had not been registered with the relevant PRC authorities. As advised by our PRC Legal Adviser, the non-registration of the lease agreements will not affect the validity of the lease agreement. However, we, as the tenant, may be subject to a risk of being imposed with administrative penalties ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement if such lease agreement was not registered within a specified time frame upon request by the relevant municipal land and real estate administration bureau. The aggregate amount of maximum fine will be approximately RMB10,000, which our Directors believe will not have any material adverse impact on our business operations. As of the Latest Practicable Date, we had not been ordered by any government authorities to register the lease agreement. Further, the lease may be deemed invalid due to the absence of valid title or proper authorisation, and we may be subject to the risk of cessation of use. In the event that we have to cease our operations, our Directors do not anticipate any material difficulty in identifying comparable alternative premises for our operations.

Having considered the foregoing, our Directors believe that the non-registration of lease agreement above will not materially affect our business and results of operation, on the bases that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreement during the Track Record Period and up to the Latest Practicable Date, (ii) the relevant defective leased property only representing approximately 5.1% of the total site area, (iii) our Directors confirm that the premises for replacement are readily available in the vicinity in Zibo City, even if we are required to move out of the defective leased properties, finding alternative properties would be relatively convenient. If we are required to vacate the lease property and relocate our facility, we believe that such relocation can be completed in a timely manner and without incurring significant costs and expenses, we expect to incur a total estimated costs of approximately RMB50,000. Further, the time required to complete the relocation is estimated to be no more than seven days, we believe that we will not experience any substantial disruption to our business operations or loss of revenue as a result of the relocation, and (iv) we were advised by our PRC Legal Adviser that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote.

RESEARCH AND DEVELOPMENT

We attach great importance to our R&D efforts. We have established a comprehensive R&D framework that integrates academic collaboration, specialized talent development, and advanced manufacturing technologies. We have deepened industry-academia-research partnerships with leading institutions including Shandong University of Technology and Jiangnan University, forming a professional R&D team and establishing dedicated materials application laboratories. These strategic collaborations form the cornerstone of our innovation capability.

Collaborative R&D initiatives

Through our joint Resin-Based Composite Materials Technology R&D Center* (樹脂基複合材料技術研發中心) with Shandong University of Technology, we have executed multiple technology development contracts focused on industrializing flame-retardant (Class A2) resin composites and optimizing production formulations. This partnership extends to co-applying for provincial-level research projects with Jiangnan University, where we have also established an off-campus internship base to facilitate mutual benefits in scientific cooperation, talent development, and technical consulting. We enjoy prioritized access to talent training and graduate recruitment in Jiangnan University.

During the Track Record Period, we collaborated with two external parties, Shandong University of Technology and Jiangnan University, on our R&D projects. Through these collaborations, we aimed to systematically enhance the quality and market competitiveness of our existing product portfolio and also broaden our product variety. The table below sets forth some of our major R&D projects conducted or ongoing during the Track Record Period:

No.	Project	Purpose	Date of commencement	Status of project	Application scenario	Ownership of R&D results
Research and development projects with Shandong University of Technology						
1.	Development of Flame Retardant Technology in Resin-based Composite Products* (樹脂基複合材料製品的阻燃技術開發)	To formulate a nitrogen-containing, halogen-free composite flame-retardant system, while ensuring that the resulting materials exhibit mechanical properties surpassing those of similar commercial products by at least 10%.	December 2021	Completed, and commercialization by 2023.	Cable trench cover	Our Company
2.	Industrialised Technological Development of Class A2 Flame-Retardant Resin-based Composite Materials* (A2級阻燃樹脂基複合材料製品的產業化技術開發)	To optimize the formulation of flame-retardant resin-based composite products to achieve a Class A2 combustion performance rating and to optimize the production processes and workflows to enable industrialization.	December 2021	Completed, and commercialization by 2024	Trench cover products	Our Company

No.	Project	Purpose	Date of commencement	Status of project	Application scenario	Ownership of R&D results
3.	Formulating and Manufacturing Processes for Resin Matrix Composites* (樹脂基複合材料製品的配方與生產技術開發)	The purpose of this project is to develop a high-strength resin-based composite cable trench cover that addresses the key performance limitations of existing products. By optimizing material formulations, we aim to produce a cover that offers enhanced durability while maintaining inherent anti-theft properties. This initiative is strategically important to us as it strengthens our position in the infrastructure materials market, expands our portfolio of high-performance composite solutions, and aligns with our focus on innovative, cost-competitive products with clear technological differentiation.	December 2022	Completed and expected commercialization by 2026	Trench cover products	Our Company
4.	Development of Key Technologies for Durable UV-Resistant Color-Stabilizing Composite Materials* (長效紫外防護固色複合材料關鍵技術的研發)	To focus on the research of UV-stability modification for resin-based composite materials, and to address colour fading in pigmented composite products. The project aims to prevent the negative impacts of material aging, such as color loss and diminished physical properties, while also helping to reduce material costs and enhance the product's market competitiveness.	April 2025	On-going, expected to be completed and commercialization by 2027	Trench cover products	Jointly owned

No.	Project	Purpose	Date of commencement	Status of project	Application scenario	Ownership of R&D results
Research and development projects with Jiangnan University						
1.	Smart Manhole Cover	To replace traditional manhole covers with an IoT-enabled system to solve issues such as theft and unnoticed damage. We aim to develop sensors to monitor cover status including position, movement damages, subsurface conditions such as water levels and gases. This enables intelligent oversight, greatly reducing manual inspection needs and lowering management costs while accelerating emergency response. By collecting and analyzing real-time data, it helps detect drainage problems and hazards. Such project will bring a wider product variety to our product portfolio.	April 2025	On-going, expected to be completed and commercialization by 2027	Manhole trench cover	Our Company

To enhance the UV resistance of composite materials and thereby extend product durability, we have collaborated with Shandong University of Technology on the "Development of Key Technologies for Durable UV-Resistant Color-Stabilizing Composite Materials". Pursuant to the collaboration agreement, we are responsible for project management and production trials, while Shandong University of Technology is responsible for formulating the overall technical solutions. The R&D results shall be jointly owned by the parties, and either party may apply for a patent without the consent of the other. If either party transfers its jointly owned rights, the other party shall have a right of first refusal to acquire such rights on equivalent terms. Upon the commercialization of the project results, any revenue generated therefrom shall be allocated between the parties according to further agreement and negotiation based on their respective contributions. Given the speciality and knowhow requisite for UV resistance Technology, our Directors are of the view that this partnership provides a cost-effective way to leverage external academic expertise, allowing us to benefit from specialized insights without assuming the substantial R&D costs and inherent uncertainties of conducting fundamental research internally. The joint ownership structure reflects the relatively balanced bargaining power between the parties in this collaboration, where this project involves a lead associate professor supported by a substantial research team (five full-time researchers and two part-time researchers), indicating a significant commitment of university resources.

R&D team

Our internal R&D team brings together diverse expertise across mechanical design, automation, materials science, and quality control. Key personnel include senior engineers with patent contributions, ISO-certified professionals ensuring production standardization, and specialists in computer numerical control precision manufacturing and computer-aided design modeling. This multidisciplinary team demonstrates exceptional collaborative capabilities in driving innovation from concept to commercialization. Externally, we have engaged two distinguished professors as technical advisers, one from Shandong University of Technology, who is leading our thermoplastic composites research, in particular carbon fiber material, and another from Jiangnan University, who is assisting in product design and market expansion in the Yangtze River Delta region. All rights arising from R&D results under both agreements shall be exclusively owned by our Company.

As of the Latest Practicable Date, we had a total of 21 R&D staff, accounting for 10.5% of our total workforce. For the years ended 31 December 2023, 2024 and 2025, our R&D expenses amounted to RMB6.5 million, RMB6.1 million, and RMB5.8 million, respectively, accounting for 4.7%, 4.7% and 4.1% of our total revenue for the respective years.

INSURANCE

During the Track Record Period, we maintained certain insurance, including but not limited to employee accident insurance and vehicle insurance. In accordance with general market practices, we have not purchased some types of insurance that are not available or generally not required by laws. As of the date of this document, we have maintained property insurance. See "Risk Factors – Risks Relating to Our Business and Industry – The insurance coverage we have may not adequately protect us against all operating risks". We have been advised by our PRC Legal Adviser that there is no statutory requirement for our operations to maintain such insurance coverage, and Frost & Sullivan confirmed that our current insurance coverage is in line with industry norm. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims related to our business.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

We may from time to time be subject to various legal or administrative proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is important to us. We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance to monitor the ongoing implementation of our risk management policies and corporate governance measures.

Legal and compliance risk management

We maintain a comprehensive legal and compliance structure comprising both in-house legal team and external legal adviser to oversee all legal matters and ensure regulatory compliance. This includes ongoing supervision of routine business operations, delivering legal guidance, and conducting comprehensive contract reviews to verify legality and mitigate risks.

To uphold our corporate integrity and reputation, we strictly adhere to all applicable laws and regulations. We have implemented formal Anti-Bribery and Anti-Corruption Policies, which apply not only to our employees but also extend to our suppliers, and other business partners. These policies mandate that all business activities be conducted lawfully and ethically. For example, we maintain strict prohibitions against accepting any improper benefits, including but not limited to gifts, discounts, kickbacks, travel privileges, entertainment offerings, or other supplementary advantages, whether directly or indirectly.

To reinforce accountability, we have implemented a comprehensive whistleblower program designed to facilitate the reporting of potential misconduct, including bribery, corruption, or other compliance violations. This program actively encourages employees, suppliers, and other third-party partners to confidentially disclose any concerns directly to us. Whistleblower identities are rigorously protected to encourage transparency without fear of retaliation.

In addition, we have implemented a comprehensive Anti-Money Laundering Internal Control System designed to proactively identify, assess, and mitigate financial crime risks across our operations. Our in-house legal team oversees group-wide AML compliance, with support from designated compliance officers in each business unit who ensure consistent transaction monitoring and suspicious activity reporting. To maintain organizational vigilance, we require all employees to complete mandatory AML training programs that are regularly updated to reflect evolving regulatory requirements.

Financial reporting risk management

Our Finance Department oversees all financial operations with primary responsibility for developing corporate financial strategies, managing budgets, optimizing capital allocation, and ensuring accurate financial reporting. To maintain rigorous financial governance, we have implemented comprehensive systems to ensure standardized accounting practices, comprehensive internal controls, and regulatory compliance. These systems include our Accounting Management System, Key Accounting Policies framework, Accounting Estimates Management System, and Group Financial Report Disclosure Management System. To maintain accuracy and transparency, we follow strict procedures governing the preparation, review, approval, and disclosure of financial statements. Our financial controls and reporting processes are designed to align with applicable accounting standards while ensuring operational efficiency across all business units.

Internal control

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. See "Directors, supervisors and Senior Management – Board Committees". In addition, we have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board on a timely basis.

LICENSES AND PERMITS

As of the Latest Practicable Date, as advised by our PRC Legal Adviser, (i) we had obtained all material licenses and permits required for our business operations in China, and such business licenses had remained in full effect, and (ii) we are not required to obtain any other material licenses or permits in conducting our business operations in China. Our PRC Legal Adviser has advised us that no licenses and permits are close to expiration, and there is no material legal impediment to renewing business licenses for our Group.

Name of Licence/Permit	Holding Entity	Issuing Authority	Issue Date	Expiry Date
High-Tech Enterprise Certificate (高新技術企業證書)	Our Company	Department of Science & Technology of Shandong Province (山東省科學技術廳), Shandong Provincial Department of Finance (山東省財政廳), State Taxation Administration, Shandong Provincial Tax Service, State Taxation Administration (國家税務總局山東省税務局)	7 December 2024	6 December 2027
High-Tech Enterprise Certificate (高新技術企業證書)	Zhongdian (Shandong)		7 December 2024	6 December 2027
Registration of Emissions from Stationary Sources permits (固定污染源排污登記回執)	Our Company	National Pollutant Discharge Permits Administration Information Platform* (全國排污許可證管理信息平台)	13 December 2023	12 December 2028
Registration of Emissions from Stationary Sources permits (固定污染源排污登記回執)	Zhongdian (Shandong)	National Pollutant Discharge Permits Administration Information Platform*(全國排污許可證管理信息平台)	30 July 2025	20 August 2030
Registration of Emissions from Stationary Sources permits (固定污染源排污登記回執)	Xi'An Baogai	National Pollutant Discharge Permits Administration Information Platform* (全國排污許可證管理信息平台)	28 December 2022	27 December 2027
Registration of Emissions from Stationary Sources permits (固定污染源排污登記回執)	Shandong Baoding	National Pollutant Discharge Permits Administration Information Platform* (全國排污許可證管理信息平台)	26 March 2022	25 March 2027

AWARDS AND RECOGNITIONS

We received awards and recognitions for our products, technologies and innovations during the Track Record Period. The following table sets forth the major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date:

Year	Award or Recognition	Awarding Institution
2025	2025 Shandong Province Science and Technology Small and Medium-sized Enterprises Innovation Capacity Enhancement Project in 2025* (2025年度山東省科技型中小企業創新能力提升工程)	Department of Science & Technology of Shandong Province (山東省科學技術廳)
2024	Domestically Leading Flame-Retardant Technology for Resin-Based Composites* (樹脂基複合材料製品的阻燃技術開發項目被評為國內領先水平)	Shandong Science and Technology Consulting Association* (山東科技諮詢協會)
2024	Shandong Provincial "Specialized – Refined – Unique – Innovative" Small and Medium-sized Enterprises* (山東省「專精特新」中小企業)	Department of Industry and Information Technology of Shandong Province* (山東省工業和信息化廳)
2024	Shandong Province Digital Economy "Morning Star Factory" in 2024* (2024年度山東省數字經濟「晨星工廠」)	Department of Industry and Information Technology of Shandong Province
2024	Shandong Province 2024 Annual Second Batch of Innovative Small and Medium-sized Enterprises* (山東省2024年度第二批創新型中小企業)	Department of Industry and Information Technology of Shandong Province
2024	Zibo City Level Green Manufacturing in 2024* (2024年淄博市市級綠色製造)	Bureau of Industry and Information Technology of Zibo (淄博市工業和信息化局)
2023	Zibo City's Top Four Key Industry Enterprises in 2022* (2022年淄博市四強產業關鍵領域企業)	Bureau of Industry and Information Technology of Zibo
2023	Zibo Industrial Enterprises "One Enterprise, One Technology" R&D Center in 2023* (2023年淄博市工業企業「一企一技術」研發中心)	Bureau of Industry and Information Technology of Zibo
2023	Zibo City 2023 Enterprise Technology Center in 2023* (淄博市2023年企業技術中心)	Zibo Municipal Development and Reform Commission* (淄博市發展和改革委員會)

INTELLECTUAL PROPERTY

We regard our patents, copyrights, trademarks, domain names, and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we possessed 69 registered patents (including 15 invention patents, 50 utility model patents and four design patents), 30 copyrights, eight trademarks in China, one trademark in Hong Kong, and four domain names in China.

For detailed information about our material intellectual property, see "Appendix VII – Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Group".

We rely primarily on a combination of patents, copyrights, trademarks, domain names, trade secrets, and unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We generally state all rights and obligations regarding the ownership and protection of intellectual properties in employment confidentiality agreements and some commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish comprehensive management over our intellectual property rights, (ii) timely registration, filing and application for ownership of our intellectual properties, and (iii) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified. In addition, we enter into agreements with confidentiality clauses with all of our key employees, and agreements with non-competition clauses with our senior management and other employees who have access to trade secrets or confidential information about our business.

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties' intellectual property rights and, to the best knowledge of our Directors and senior management, they are not aware of any such disputes. See "Risk Factors – Risks Relating to Our Business and Industry – We may be unable to adequately protect or enforce our intellectual property rights, which could adversely affect our business, financial condition and results of operations".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are firmly committed to sustainable development, social responsibility, and strong corporate governance, all of which reflect our adherence to Environmental, Social, and Governance (ESG) principles. To support this commitment, we have developed a comprehensive suite of policies and procedures encompassing environmental stewardship, workplace safety, employee well-being, and anti-corruption practices.

1 ESG Management

Our Company actively practice Environmental, Social, and Governance (ESG) principles, systematically integrates sustainable development with corporate governance, and comprehensively enhances operational resilience and long-term value creation capabilities. By establishing a sound ESG governance framework, our Company has institutionalized and normalized ESG management, driving continuous improvement in its comprehensive ESG management capabilities.

1.1 Governance

Our Company has established a systematic ESG governance and risk management framework, implementing a three-tier ESG management structure overseen by the Board as the supreme decision-making body. This framework promotes systematic identification and management of ESG-related risks across all business units, ensuring compliant operations

and continuously supporting the achievement of our Company's sustainable development objectives.

Within this structure, the Board, serving as the supreme oversight body for ESG issues, is primarily responsible for approving our Company's overarching ESG strategy, policies, and externally disclosed ESG reports, thereby establishing the direction and framework for sustainable development of our Company at the top level. The Sustainable Development Group is mainly tasked with driving the implementation of ESG initiatives, reviewing ESG performance targets, and proposing improvement recommendations. The Dedicated ESG Task Force acts as the primary coordination and executive body, responsible for the concrete execution of ESG tasks, resource coordination, and data collection to support the daily management of ESG operations.

1.2 Risk Management

To proactively manage the ESG-related risks, we continuously identify and control risks that may have material impact on our Company. We conduct comprehensive assessments of applicable laws, regulations and industry standards, covering areas such as environmental management, green products, product responsibility, employee rights protection, occupational health and safety, community support, and business ethics. Furthermore, we have developed diversified mitigation methods and measures to prevent these risks causing material impact on our business operations.

1.3 Metrics and Targets

Our Company has established a target system centered on core ESG issues, and systematically continued to promote sustainability management practices. In the environmental dimension, our Company focuses on low-carbon transition and efficient resource utilisation in production and operations, emphasizing advancement of energy-saving upgrades at production bases, application of renewable energy, and green product research and development, thereby continuously reducing energy consumption and carbon emission intensity per unit product. In the social dimension, our Company is committed to improving the employee health and safety support systems, strengthening product safety lifecycle management, and consistently enhancing supply chain sustainability performance and community engagement effectiveness.

Due to the unique positioning of the Company's principal business in the industry chain and the particularity of its business model, it is difficult to find a listed company that is completely comparable in terms of principal business content, scale and resource intensity as benchmark in the current market. There are essential differences in energy consumption structure, emission sources and personnel allocation corresponding to different business models. Simple and direct comparison of peer data may be misleading and of limited reference value. Therefore, at this stage, we focus our ESG management on establishing and improving our historical performance benchmarks, implementing vertical comparison and continuously optimizing internal operation efficiency to ensure the substance and effectiveness of improvement work.

To promote the use of clean energy and reduce carbon dioxide emissions from non-renewable energy sources, the Company has set a clean energy installation target. By the end of 2025, the Company aims to achieve a clean energy installed capacity of 1,000 kW across all its facilities. As of 31 December 2025, the clean energy installed capacity across all facilities of the Company has reached approximately 1,300 kW.

2 Environmental Obligations

2.1 Environmental management

Our Company has established an environmental management system encompassing energy optimisation, resource recycling and pollution prevention, and actively promotes green manufacturing and continuously enhances its environmental management standards.

Energy management

Our Company strictly comply with the Energy Conservation Law of the People's Republic of China, the Energy Law of the People's Republic of China and other relevant laws and regulations, and formulated internal regulations such as the Energy Management Measures and Energy Management System to committed to achieving the optimal allocation of energy resources and enhancing their utilisation efficiency. Our Company has established an energy management structure with clearly defined responsibilities, comprising an Energy Management Leadership Group directly overseen by the general manager. This group comprises three working teams which are the Technical Improvement Team, the Monitoring and Analysis Team, and the Performance Evaluation Team. As of the reporting period, our Company's energy management system has obtained external certification.

For enhancing energy efficiency, our Company has established a comprehensive lifecycle management system of energy. During the procurement phase of energy-consuming equipment, we have implemented a supplier energy performance evaluation mechanism, prioritising the selection of high-efficiency equipment. During the operational phase of equipment, we implement targeted energy efficiency improvement measures for high-energy-consumption equipment, such as variable frequency retrofits and intelligent controlling. For instance, the installation of intelligent temperature control systems enables precise temperature regulation to reduce energy wastage, with projected energy savings in this operational phase.

For clean energy development, our Company has established distributed photovoltaic power stations, with the electricity generated being prioritised for use by production equipment. As of the reporting period, our Company has completed a distributed photovoltaic project with a capacity of 1,317.65 kilowatts.

Table: Energy Consumption Performance

Types of energy	Unit	2025	2024	2023
Gasoline	Tonne	22.92	15.84	17.02
Diesel	Tonne	16.60	9.77	13.60
Purchased electricity	Ten thousand kilowatt-hours	474.75	380.5	420.83
Purchased heat	Gigajoule	0	0	0
Total comprehensive energy consumption	tce	628.96	509.15	562.07
Comprehensive Energy Consumption Density	tce/million RMB in revenue	4.36	3.89	4.10

Water Resource Management

Our Company strictly complies with relevant laws and regulations such as the Water Law of the People's Republic of China. It enhances water use efficiency through multi-dimensional management measures, including water conservation training, water-saving incentives, and regular maintenance of water-using equipment. These efforts continuously improve the efficiency of water resource utilisation and comprehensively strengthen the construction of a water recycling system.

Table: Performance of Water Resources Consumption

Water Consumption	Unit	2025	2024	2023
Fresh water consumption	Tonne	1,717.82	3,178	2,548
Total water consumption	Tonne	1,717.82	3,178	2,548
Total water consumption density	Tonne/million RMB in revenue	11.92	24.26	18.60

Waste Management

Our Company strictly abides by laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and the Regulations of Shandong Province on Environmental Protection. It has formulated internal systems including the Responsibility System for Prevention and Control of Environmental Pollution Caused by Hazardous Wastes, the Hazardous Waste Management System, the Management System on the Prevention and Control of Atmospheric Pollution, and the Environmental Protection Management System to regulate the management processes for wastewater, waste gas, and waste materials, with an aim to continuously reducing pollutant emissions. Our Company has established a leading group for the prevention and control of environmental pollution caused by hazardous wastes, with the general manager serving as the first responsible person, assuming overall leadership responsibility for the environmental protection work across our Company. During the reporting period, neither our Company nor its subsidiaries received any environmental penalties.

In terms of wastewater management, our Company has established a comprehensive water pollution prevention and control system to ensure the normal operation of wastewater treatment facilities and their compliance with discharge standards. Meanwhile, we strengthen inspections for occurrence such as spillage, emission, dripping, and leakage during the production process, and properly collect and treat pollutants generated from cleaning during maintenance to prevent secondary pollution.

In terms of waste gas management, our Company effectively controls major air pollutants such as VOCs and dust through focusing on the management and control of unorganized emission sources in the unloading area, batching workshop, and finished product storage area, establishing a strict vehicle exhaust emission management system, and implementing a collection system with gas collecting hoods at the rear of production equipment to collect dust for reuse in production.

In terms of waste management, our Company adheres to the principle of "classified management and centralized disposal" for hazardous wastes and has established a classification management system and a ledger management system for hazardous wastes. Major hazardous wastes such as waste mineral oil (HW08), waste activated carbon (HW49), and waste catalysts (HW49) are all entrusted to qualified units for treatment.

Table: Emission Performance

Types of waste		Unit	2025	2024	2023
Hazardous waste	Waste printer toner cartridges	Kg	19.5	9	10
	Waste batteries	Kg	1.80	0.02	0.02
	Packaging material	Kg	91,752.30	51,896.15	45,198.75
	Total hazardous waste	Kg	91,773.60	51,917.45	45,220.05
	Hazardous waste intensity	Kg/million RMB in revenue	637.01	396.32	330.07
Non-hazardous waste	Food waste	Tonne	12.60	12.8	12.5
	Household waste	Tonne	11.05	11.32	11.43
	Paper usage	Tonne	11.20	11.2	11.2
	Total non-hazardous waste	Tonne	34.85	35.32	35.13
	Non-hazardous waste intensity	Tonne/million RMB in revenue	0.24	0.27	0.26
Waste water	Total waste water emission	Tonne	0	0	0
Waste gas	Total waste gas emissions	Tonne	0.91	0.85	0.1
	Particulate Matter	Tonne	0.25	1.06	0.34
	Volatile Organic Compounds (VOCs)	Tonne	0.67	1.2	0.38

The Company is currently in the early stages of systematic ESG data development and benchmarking analysis. During the tracking period, we have initially completed a preliminary comprehensive inventory of energy, water, waste and emissions (covering wastewater, waste gases and greenhouse gases) and established a data collection process. We recognize that establishing measurable and comparable targets is central to continuous improvement. Therefore, we commit to publish short term (2025–2027) and medium term (until 2030) quantitative targets covering all of the abovementioned key areas by 30 June 2026.

2.2 Green Products

The Company integrates the concept of green development into the whole process of product production, continuously reducing carbon emissions through technology upgrading and energy mix adjustment. The Company adopts advanced molding technology to optimize production process, improve product quality and production efficiency. In addition, it strives to reduce waste and promote green and low-carbon transformation of products by precisely matching material ratios.

The Company places environmental sustainability at the core of its raw material strategy, continuously optimizing the environmental performance of resins and additives by enhancing material utilization efficiency and advancing closed-loop recycling initiatives. In 2023, the company's total waste volume (including trim and scrap) reached 133.83 tonnes (trim: 113.29 tonnes; scrap: 20.54 tonnes). In 2024, total waste increased to 147.66 tonnes (129.92 tonnes of trim and 17.74 tonnes of scrap), yet full recycling was maintained. As of 31 December 2025, total waste amounted to 76.14 tonnes (71.69 tonnes of trim and 4.45 tonnes of scrap), with the recycling rate consistently reaching 100%, reflecting continuous optimization in process control and material utilization efficiency.

Meanwhile, our Company's energy conservation initiatives have yielded significant results: purchased electricity decreased from 4.208 million kWh in 2023 to 3.805 million kWh in 2024, and amounted to 4,747,500 kWh in 2025. The solar power systems at Baogai and Zhongdian Base achieve peak DC power outputs of 757.62 kW and 637.65 kW respectively, supporting clean energy utilization. Water consumption remains consistently minimal, as the production process does not involve industrial water usage. Only domestic water demand requires fulfillment: freshwater consumption was 2,548 tonnes in 2023 and 3,178 tonnes in 2024, and the cumulative consumption decreased to 1,717.82 tonnes in 2025. Our Group will continue optimizing raw material usage, strengthening circular practices, and comprehensively enhancing environmental sustainability across all operational aspects.

In 2025, the Company constructed a production line for resin-based composite products embedded with carbon fiber as reinforcing materials. This production line mainly consumes electricity during production and uses recycled cooling water for temperature control, with no additional water consumption involved. In terms of waste gas and solid waste discharge, a small amount of VOCs is generated during the heating and melting process of substrate materials, and a small amount of solid waste is produced from the trimming of prepreg tapes. Such solid waste is recycled internally through crushing and reused as filling materials. As the production line relies entirely on purchased electricity, its production activities may generate additional carbon emissions. Furthermore, VOCs are atmospheric pollutants explicitly regulated by national regulations, and their emission concentration and total volume must continuously meet environmental protection standards. Failure to meet treatment standards may result in environmental non-compliance risks. Therefore, the main ESG risks brought by this production line to the Company include carbon emission risks and localized air pollutant emission risks, which are currently minor and controllable.

2.3 Addressing Climate Change

Under the backdrop of the severe situation of global climate change and the frequent occurrence of extreme weather events, our Company is facing increasingly severe impacts and challenges. To proactively address this global challenge, in the future, we will widely draw on advanced guidelines and policies both at home and abroad in terms of climate change response strategies, establish a climate change governance framework, and actively carry out the identification and response work of risks and opportunities brought about by climate change, assess the financial impacts related to climate change, and enhance our Company's adaptability and response level to climate change.

Table: Greenhouse Gas Emissions

Types of Greenhouse Gas	Unit	2025	2024	2023
Scope 1 GHG emission	tCO_2e	95.15	87.14	94.58
Scope 2 GHG emission	tCO_2e	2,707.49	2,170.01	2,399.99
Total GHG emission (Scope 1 & 2)	tCO_2e	2,803.64	2,257.14	2,494.58
GHG emission intensity (Scope 1 & 2)	tCO_2e/million RMB in revenue	19.45	17.23	18.21
Scope 3 GHG emission (Fuel- and Energy-Related Activities)	tCO_2e	671.23	1,136.67	1,218.57

3 Social Responsibility

3.1 Human Capital

Our Company strictly adheres to laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and has formulated internal policies including the Employee Personnel Management System. These policies clearly stipulate the recruitment, onboarding, appointment, re-designation and promotion, compensation and performance, training and development, attendance and leave, among other matters, for all employees, providing an equal and humane working environment.

Regarding employee recruitment, our Company has formulated the Recruitment and Appointment Management System to attract diverse talents through channels such as internal re-designation, online job fairs, on-site recruitment events, and campus recruitment programs. Our Company has established a "Talent Committee" composed of the General Manager, business leaders, and human resources representatives. This committee regularly analyzes talent requirements based on business strategies, develops a 3–5 year high-end talent roadmap, and creates "success profiles" to identify core positions and talents essential for future competitiveness. Our Company respects and protects the legitimate rights and interests of employees, prohibiting discrimination or differential treatment in recruitment, compensation, training opportunities, promotion, termination, or retirement based on gender, age, ethnicity, race, nationality, religious beliefs, or other factors. During the recruitment process, our Company requires all applicants to complete an Application Registration Form and conducts background screenings for new hires to strictly prevent issues such as child labor or forced labor. As of 31 December 2025, our Company has not encountered any incidents involving child labor, forced labor and discrimination and harassment.

In order to improve production capacity while ensuring the health and safety of front-line production employees, our Company has introduced automated production lines in processes with labor safety risks, such as large-scale application of robotic arms, which reduces our Company's demand for production personnel. Therefore, when employees leave due to retirement or natural turnover, their positions are no longer recruited in equal numbers.

Table: Employment Status

Indicator			Unit	2025	2024	2023
Employment	Total number of employees		Employee	212	224	228
	By gender	Male	Employee	175	183	192
		Female	Employee	37	41	36
	By age group	≤30 years old	Employee	25	20	25
		31-50 years old	Employee	142	150	159
		>50 years old	Employee	45	54	44
	By region	China	Employee	212	224	228
		Overseas	Employee	0	0	0

In terms of remuneration and benefits, our Company has established the Salary Scheme and the Performance Management System, adhering to the performance appraisal principles of "fairness and transparency, objectivity and comprehensiveness, regularisation and systematisation, as well as communication and feedback". Through mid-year and year-end evaluations, our Company comprehensively assesses employees' work performance, based on which it adjusts salary and job grades, determines year-end bonus amounts, and helps employees at all levels build a sense of identity while continuously improving work efficiency. Our Company has established a comprehensive welfare protection mechanism. In addition to providing statutory holidays, it also offers additional paid leaves such as marriage leave, maternity leave, paternity leave, breastfeeding leave, and nursing leave. Furthermore, our Company provides employees with various insurances, including medical insurance, endowment insurance, unemployment insurance, work-related injury insurance, maternity insurance, and commercial insurance, to help employees balance their life needs.

Our Company places strong emphasis on employee training and has established an Employee Training System to help enhance their professional skills. Our Company actively organizes various training programs, including induction training for new hires, instruction on company rules and regulations, general knowledge training on professional expertise, pre-job training for new positions, and skills-based training. These initiatives provide diversified training resources tailored to employees at different career stages and with varying development needs. Furthermore, our Company encourages employees to obtain professional qualifications aligned with organizational requirements. For those who have completed three years of service, our Company fully reimburses training and examination costs related to practicing certificates and job-specific qualifications, thereby supporting the cultivation of a sustainable talent pipeline.

Table: Employee Training

Indicators		Unit	2025	2024	2023
Employee training	Number of employee trained	person	1,675	1,825	1,300
	Total training hours	hour	120	134	120
	Training coverage rate	%	100	100	100

3.2 Health and Safety

Our Company is committed to providing comprehensive occupational health protection for every employee. In terms of management systems, our Company has formulated the Compilation of Occupational Health and Safety Responsibility Systems, which clearly defines the occupational health and safety responsibilities of company leaders, heads of various functional departments, and production workers. Regarding safety protection measures, our Company conducts regular on-site safety inspections and hidden hazard identifications; organizes regular employee training and emergency drills; performs periodic monitoring of occupational hazard factors in the workplace; and provides labor protection supplies such as work uniforms, dust masks, and safety shoes to ensure all-round protection of employees' occupational health and personal safety.

As of the reporting period, both our Company and its subsidiary Zhongdian (Shandong) Electric Power Technology Co., Ltd. had obtained ISO 45001 Occupational Health and Safety Management System certification. From 2023 to 2025, no work-related fatalities occurred within our Company.

Table: Health and Safety related Performance

Indicators		**Unit**	**2025**	**2024**	**2023**
Health and safety	Number of work-related fatalities	person	0	0	0
	Number of work-related injuries	person	1	2	3
	Number of lost days due to work-related injuries	day	8	36	65

3.3 Product Responsibility

Our Company has established a sound quality control system in strict accordance with laws and regulations including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). Our Company has set up the Quality Issues and Solutions (《質量問題與解決方法》) and the Product Issues and Solutions (《產品問題與解決方法》) to summarize typical product quality issues and improve the ability to control product quality, and formulated the Workshop Quality Management Measures (《車間質量管理措施》) to clearly clarify the main responsibilities of workshop operators, production line supervisors and quality inspectors in the process of product quality control. Meanwhile, our Company has implemented corresponding incentive and disciplinary mechanisms for operation quality of employees to enhance employees' quality awareness, providing a strong guarantee for the stable development of production quality. As of 31 December 2025, our Company and its subsidiary, Zhongdian (Shandong) Electric Power Technology Co., Ltd*, obtained ISO 9001 Quality Management System certification while our Company was awarded "AAA Class Quality Service Integrity Unit (質量服務誠信單位AAA級)", demonstrating our Company's systematic management and control capability in quality management.

In customer service, our Company adhered to the concept of responsible marketing, and established complaint handling and traceability system, so as to make sure deliverables satisfy the needs of customers and protect the basic rights and interests of our customers. Upon receiving a complaint, corresponding salesmen and sales director together with relevant departments responded immediately to deal with the complaint in a timely manner. Meanwhile, our Company conducted customer satisfaction surveys regularly to receive customers' feedbacks during the period of obtaining annual certification for product quality system. From 2023 to 2025, the customer satisfaction was 97% .

3.4 Supply Chain Management

Our Company attaches great importance to the supplier management, strictly adheres to the Bidding Law of the People's Republic of China and sets up a management mechanism for supplier onboarding, management and evaluation and exit. As for the supplier onboarding stage, our Company fully considers the performance of suppliers' service experience, the quality of their products, their business ethics, etc. and requires them to provide relevant certifications and ultimately establishes the List of Qualified Suppliers. As for the supplier management and evaluation stage, our Company performs regular supplier reviews annually and conducts on-site visits to suppliers with close business relationships to identify potential risks. For suppliers that do not meet our Company's evaluation standards, our Company will actively take corrective measures or timely screen backup suppliers for replacement.

Our Company pays attention to our suppliers' ESG performance. The suppliers which achieve better performance in respect of environment, quality, labour rights, health and safety will be our priority, so as to guide suppliers to focus on important ESG issues such as quality management, production safety, and environmental protection. We recognize the necessity to systematically incorporate ESG factors into management. Therefore, with an aim to achieve sustainable supply chain management, we will develop supplier sustainability guidelines covering all suppliers, continuously optimize our procurement processes and supplier cooperation mechanisms, striving to improve the resilience and responsibility performance of the entire supply chain. As of 31 December 2025, no suppliers of our Company have exited due to failure in ESG review. In terms of business ethics, our Company requires our suppliers to sign the "Integrity Responsibility Agreement" and the "Confidentiality Agreement" to ensure that they adhere to the ethical and legal standards required by our Company, while safeguarding the legitimate rights and interests of both parties.

Table: Supplier Management Status

Indicator		Unit	2025	2024	2023
Number of suppliers by region	Mainland China	Company	346	285	297

3.5 Technological Innovation and Intellectual Property Protection

Our Company continues to deepen its practical exploration in technological innovation and R&D, focusing on breakthroughs in high-end materials—one of the ten key areas outlined in the "Made in China 2025" initiative. Our Company is dedicated to fostering integration between the era of intelligent economy and the development of new infrastructure.

Our Company actively engages in industry-university-research collaboration, establishing partnerships with Shandong University of Technology and Jiangnan University. Together, they have jointly applied for innovation capability enhancement projects for technology-based small and medium enterprises in Shandong Province, focusing on key technologies in composite materials and smart manhole cover technology. Additionally, our Company has set up technology R&D centers and off-campus teaching and practice bases to strengthen industry-university-research cooperative education. By fully integrating cutting-edge academic achievements with advanced production practices, our Company aims to facilitate its strategic transformation from a traditional "manufacturing factory" to a "technology-driven enterprise".

Our Company continues to expand its "competitive advantages" in R&D projects and patents by formulating and releasing three group standards, including "Composite Material Cable Trench Covers". It currently holds over 90 intellectual property rights related to the industry, including invention patents and utility model patents, among which 15 are invention patents. From 2023 to 2025, our Company has initiated a total of 12 R&D projects. Its achievements in R&D and innovation have been widely recognized by society, including recognitions such as National High-Tech Enterprise, Shandong Province Technology-Based SME, Shandong Province "One Enterprise, One Technology" Cultivation Enterprise, Provincial and Municipal "Specialized, Refined, Unique, and New" Enterprise, Zibo Municipal Enterprise Technology Center, Zibo Municipal "Four Strong" Industry Enterprise, and Zibo Municipal "Eaglet" Cultivation Enterprise.

3.6 Community Engagement

Our Company is committed to fulfilling its corporate social responsibilities by undertaking a range of charitable and community service initiatives, thereby demonstrating its commitment to giving back to society through concrete actions. Leveraging its professional expertise, our Company has contributed to the upgrading of municipal infrastructure, including projects such as the renovation of drainage ditches in older residential communities and the replacement and enhancement of drainage wells in neighbourhoods and public parks, with a view to improving the living environment for nearby residents. In 2025, our employees participated in charitable activities for a total of 24 hours, with public welfare donations amounting to RMB21,250.

4 Corporate Governance

4.1 Anti-bribery and Anti-corruption

Upholding the core values of integrity and honesty, our Company is dedicated to fostering a fair and transparent corporate culture. Our Company has adopted the Anti-fraud and Whistleblowing Policy (《反舞弊及舉報投訴管理辦法》) to comprehensively regulate the professional conduct of all employees, set clear standards of behaviour and boundaries, and prevent any improper practices or bribery that could undermine our Company's economic interests. Our Company has established a three-tier anti-fraud governance framework: the Board is responsible for overseeing management in cultivating a company-wide anti-fraud culture, the management is responsible for preventing fraud incidents and establishing reporting mechanisms, and the audit department is responsible for handling fraud cases.

In addition, our Company has set up a dedicated email channel for reporting misconduct and fraud cases, enabling employees and other stakeholders to raise concerns or report breaches of professional ethics involving our Company or its personnel. In the event of non-compliance, the audit department of our Company will promptly initiate an investigation. Individuals involved in fraudulent activities will be subject to internal economic and administrative disciplinary actions in accordance with relevant regulations, and may be held legally liable where appropriate.

DATA PRIVACY AND SECURITY LAWS

We are committed to ensuring data privacy and information security. In our business operations, we primarily collect personal data (including names, telephone numbers, addresses and other relevant information) related to employee, customer and supplier, as well as other data essential for operation and management. We obtain proper authorization and consent from our employees, customers and suppliers for the collecting and processing of their personal information. Adhering to the principle of data minimization, we set appropriate retention periods based on actual business needs. Data exceeding these periods is either securely deleted or anonymized.

We have implemented comprehensive protective measures for the data we collect. These measures include: (i) we have formulated relevant management systems on data collection, storage, use, processing, transmission, provision, disclosure, deletion and destruction, such as the Data Compliance Management Red Lines and Guidance Manual (《資料合規管理紅線與指導手冊》) and the Regulations on Overseas Data Compliance (《海外資料合規管理辦法》); (ii) we regularly provide data security education and training through online and offline sessions, led by internal and external experts; and (iii) we have developed a data classification and tiered protection system, established an inventory of important and core data and submitted this information to the relevant authorities for filing.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incidents of theft, leakage, damage, illegal use or illegal export of core data, important data or a large amount of personal information; we had not received any investigations, inquiries, rectification orders or penalties from relevant government departments related to network security, data protection or any network security review; we had not been involved in any material lawsuits, arbitrations, penalties or potential disputes or controversies regarding network security and data protection.

* *For identification purposes only*

OVERVIEW

Upon **[REDACTED]**, the Board will consist of eight Directors, including five executive Directors and three independent non-executive Directors. The Directors serve for a term of three years and shall be subject to re-election upon retirement. The Board is responsible for and has the general power over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions passed at our general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management, internal control and compliance with legal and regulatory requirements.

The Supervisory Committee currently consists of three Supervisors. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial, internal control and risk conditions of the Company.

DIRECTORS

The table below sets forth the key information in respect of the members of our Board:

Name	Age	Position	Responsibilities	Date of the appointment as a Director	Date of joining our Group
Executive Directors					
Mr. Liu Zhentao (劉振韜)	56	Chairman of the Board, Executive Director and general manager of our Group	Responsible for the overall strategic planning and making key business and operational decisions of our Group	13 May 2019	22 January 2009
Ms. Li Xiaoyan (李曉燕)	56	Deputy general manager of the Group and Executive Director	Responsible for the overall strategic planning and making key business and administrative decisions of our Group	13 May 2019	22 January 2009
Mr. Li Dong (李東)	52	Executive Director and secretary to the Board	Responsible for the overall strategic planning and making key business and corporate governance of our Group	24 June 2022	15 February 2021

Name	Age	Position	Responsibilities	Date of the appointment as a Director	Date of joining our Group
Ms. Sun Ailing (孫愛玲)	54	Executive Director and office manager of the Group	Responsible for the overall strategic planning and making key business and interdepartmental cooperation of our Group	24 June 2022	25 February 2018
Ms. Fan Hongyan (範洪燕)	42	Executive Director and financial manager of the Group	Responsible for the overall strategic planning and making key business and financial decisions of our Group	28 February 2023	8 October 2016
Independent Non-executive Directors					
Mr. Wu Yingpeng (吳英鵬)	40	Independent Non-executive Director	Responsible for supervising and providing independent judgement to the Board	10 September 2025	10 September 2025
Mr. Leung Ka Wai (梁嘉偉)	37	Independent Non-executive Director	Responsible for supervising and providing independent judgement to the Board	10 September 2025	10 September 2025
Mr. Ji Hongwei (籍洪偉)	41	Independent Non-executive Director	Responsible for supervising and providing independent judgement to the Board	10 September 2025	10 September 2025

Executive Directors

Mr. Liu Zhentao (劉振韜), aged 56, the founder of our Group, was appointed as the chairman of the Board and the general manager of our Company in May 2019. He is responsible for the overall strategic planning and making key business and operational decisions of our Group.

Mr. Liu brings over 36 years of expertise in precision manufacturing. Prior to founding the Group in January 2009, he worked as a worker at the Zibo Bearing Factory* (淄博軸承廠) from August 1989 to March 1995, the department manager of the Trade Division at the Zibo KEMAO Development Company (淄博市科貿發展公司) from March 1995 to May 1997. After about 12 years of independent entrepreneurship, he established Shandong Baogai New Materials Technology Corporation Ltd. (山東寶蓋新材料科技有限公司) in January 2009, and has served as

the Chairman of the Board and an executive Director since May 2019. Mr. Liu has been the supervisor of Shandong Rongji Shengzhe Cultural Communication Co., Ltd. (山東融基勝者文化傳播有限公司) since July 2014. Since December 2019, Mr. Liu has been serving as an executive partner in Baocheng (Zibo) Enterprise Management Partnership Enterprise (Limited Partnership)* (寶成(淄博)企業管理合夥企業(有限合夥)).

Mr. Liu obtained a college diploma in International Trade from the University of International Business and Economics (對外經濟貿易大學) in the PRC in July 1997, and has been pursuing a bachelor degree in Business Administration at the Open University of China (國家開放大學) since September 2023.

Mr. Liu was previously a legal representative of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of Company	Nature of Business	Date of dissolution	Method of dissolution	Reasons for dissolution
Zhangdian Light of Life Human Body Art Studio* (張店生命之光人體藝術品工作室)	No business operation	7 July 2004	Deregistration	No business operation

Mr. Liu confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Liu is the spouse of Ms. Li Xiaoyan (李曉燕), our executive Director and a substantial shareholder of the Company.

Mr. Liu does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Ms. Li Xiaoyan (李曉燕), aged 56, joined the Company in January 2009 and served as the administration manager of the Company from January 2009 to May 2019. Ms. Li subsequently served as the Director and the head of finance of our Company from May 2019 to June 2022. She was redesignated as the deputy general manager of our Group and an executive Director since June 2022. She is primarily responsible for the overall strategic planning and making key business and administrative decisions of our Group.

Ms. Li has more than ten years of experience in administrative management. Prior to joining our Company, she worked as a worker at Shandong Xueyin Chemical Fiber Group Co., Ltd.* (山東雪銀化纖集團股份有限公司) from December 1990 to September 2007.

Ms. Li obtained a degree in machining from Shandong Machinery Factory Vocational College (山東機器廠職業學院) in June 1988.

Ms. Li is the spouse of Mr. Liu Zhentao, our founder, chairman of the Board, and a substantial shareholder of the Company.

Ms. Li does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Li Dong (李東), aged 52, joined our Company in February 2021 and served as the securities manager from February 2021 to June 2022. Mr. Li was subsequently appointed as an executive Director and secretary of the Board in June 2022. He is primarily responsible for the overall strategic planning and making key business and corporate governance of our Group.

With a nearly 25-year career in board management and financial service in different industries, Mr. Li is experienced in financial planning and business strategic planning. From August 1996 to December 2015, he served as an assistant secretary of the Board and investment manager at Shandong Zibo Huaguang Ceramics Co., Ltd. (淄博華光陶瓷股份有限公司). From December 2015 to October 2016, he served as an investment banking manager at Shenzhen Qianhai Daosheng Financial Services Co., Ltd.* (深圳前海道勝金融服務有限公司). Mr. Li subsequently held various leadership positions, including (i) the secretary of the Board at Shandong Weitu Software Information Co., Ltd.* (山東微圖軟體資訊股份有限公司) from October 2016 to November 2017; (ii) a manager of the listing office at Shandong Qingyuan Group Company Ltd. (山東清源集團有限公司) from November 2017 to October 2018 and (iii) the secretary of the board at Shandong Jiuroad Parking Equipment Co., Ltd. (山東九路泊車設備股份有限公司) from October 2018 to February 2021.

Mr. Li obtained an associate degree in investment economics from Shandong Institute of Economics (山東經濟學院) in July 1995 in the PRC, and he has completed his studies in finance from Hunan University (湖南大學) in July 2005 in the PRC.

Mr. Li was previously a supervisor of the following companies which were established in the PRC and were dissolved on a voluntary basis:

Name of Company	Nature of Business	Date of dissolution	Method of dissolution	Reasons for dissolution
Zibo Ruifeng Biological Technology Co., Ltd. (淄博瑞風生物科技有限公司)	No business operation	19 August 2019	Deregistration	No business operation
Zibo Huaqing Investment Co., Ltd.* (淄博華清投資有限公司)	No business operation	28 June 2019	Deregistration	No business operation

Mr. Li confirmed that the aforementioned companies were solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Li does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Ms. Sun Ailing (孫愛玲), aged 54, joined the Company in February 2018 and served as the head of the human resources department from February 2018 to May 2019. Ms. Sun subsequently served as the supervisor, office manager and the head of procurement of our Company from May 2019 to June 2022. In June 2022, she was appointed as an executive Director while serving as an office manager and the head of procurement of our Company. She is currently primarily responsible for the overall strategic planning and making key business and interdepartmental cooperation decisions of our Group. Since February 2022, Ms. Sun has also been serving as a supervisor of Shandong Baoding Machinery Mold Co., Ltd. (山東寶鼎器械模具有限公司).

Ms. Sun's career in administration and human resources spans more than 20 years. From August 1989 to December 2002, she worked as a statistician and assistant to head of factory at the Zibo Ermao Textile Co Ltd (淄博二毛紡織股份有限公司). From January 2004 to January 2018, Ms. Sun assumed the role of deputy general manager at Zibo Jinbeiqi Milling Machine Accessories Co., Ltd.* (淄博金北齊銑床配套有限公司).

Ms. Sun obtained an associate degree in Statistics and Accounting from Shandong Institute of Economics (山東經濟學院) in July 1996 in the PRC.

Ms. Sun was previously a supervisor of the following company which was established in the PRC and the company's business license was revoked:

Name of Company	Nature of Business	Date of dissolution	Method of dissolution	Reasons for dissolution
Zibo Beiqi Machinery Manufacturing Co., Ltd.* (淄博北齊機械製造有限公司)	Machinery and equipment	13 October 2004	Revoke	Failure to complete its annual inspection

Ms. Sun confirmed that the aforementioned company was solvent prior to its revocation and that, as of the Latest Practicable Date, no claims had been made against her and she was not aware of any threatened or potential claims made against her and there were no outstanding claims and/or liabilities as a result of the revocation of such company. To the best of Ms. Sun's knowledge, the shareholder of Zibo Beiqi Machinery Manufacturing Co., Ltd., went into liquidation in 2003 and decided to cease its operation, therefore no annual inspection was conducted thereafter. Our PRC legal adviser advised that, Ms. Sun, as a supervisor of Zibo Beiqi Machinery Manufacturing Co., Ltd., was not in the position to complete its annual inspection nor is at fault for the failure to complete its annual inspection.

Ms. Sun does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Ms. Fan Hongyan (範洪燕), aged 42, joined the Company in October 2016 and served as the general accountant from October 2016 to May 2019. Ms. Fan subsequently served as the general accountant and the financial manager of our Company from May 2019 to February 2023. In February 2023, she was appointed as an executive Director. She is primarily responsible for the overall strategic planning and making key business and financial decisions of our Group.

Ms. Fan brings extensive experience in financial management. From January 2012 to February 2014, Ms. Fan worked at Zibo Xinlida Industry & Trade Co., Ltd. (淄博鑫利達工貿有限公司) as cashier.

Ms. Fan obtained an associate degree in Big Data and Accounting from Linyi University (臨沂大學) in June 2024 in the PRC.

Ms. Fan does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Independent Non-executive Directors

Mr. Wu Yingpeng (吳英鵬), aged 40, was appointed as an independent non-executive Director in September 2025. He is responsible for supervising and providing independent judgement to the Board.

Mr. Wu is a barrister-at-law in Hong Kong and a licensed lawyer in Mainland China. Mr. Wu has been a barrister-at-law at Foundation Chambers since December 2019. He practised as a lawyer at Beijing Jingshi Law Firm Shenzhen Office (北京市京師(深圳)律師事務所) from March 2019 to April 2026, and has been a lawyer at Beijing Dacheng Law Offices LLP (Guangzhou Office) 北京大成(廣州)律師事務所(特殊普通合夥) since April 2026. In addition, Mr. Wu is currently a member of Election Committee of Hong Kong Special Administrative Region, a Member of the Legislative Council of the Hong Kong Special Administrative Region, and a member of the Chinese People's Political Consultative Conference Guangdong Provincial Committee. Since June 2025, Mr. Wu has also been serving as independent non-executive director of CGN Mining Company Limited (中廣核礦業有限公司) (a company listed on the Stock Exchange (stock code: 1164)).

Mr. Wu obtained his Bachelor of Laws from Beijing Normal University in July 2009, his Master of Laws from Renmin University of China in June 2011, the Legal Professional Qualification Certificate of PRC in March 2013, and his Juris Doctor and Postgraduate Certificate in Laws from City University of Hong Kong in July 2016 and October 2017, respectively.

Mr. Leung Ka Wai (梁嘉偉), aged 37, was appointed as an independent non-executive Director in September 2025. He is responsible for supervising and providing independent judgement to the Board.

Mr. Leung is a seasoned professional in the finance profession with over 13 years of experience, specializing in auditing. Mr. Leung is currently an independent non-executive director of Radiance Global Group Holdings Limited (永通萬國集團控股有限公司), a company listed on the Stock Exchange (stock code: 8208), since June 2026. From January 2013 to April 2019, he assumed various positions in BDO Limited with his last position as manager. From April 2019 to December 2020, he served as the corporate finance executive and legal manager (finance department) at P.C. Woo & Co & ONC Lawyers respectively. In January 2021, Mr. Leung worked at UP CPA & Co, acting as partner till March 2025. Since April 2025, Mr. Leung has been serving as a director of GTG CPA Limited. Since July 2025, Mr. Leung has been serving as a partner and managing director of Leader CPA Limited. Since June 2025, Mr. Leung has been serving as a director of Leader Advisory Limited.

Mr. Leung obtained his bachelor's degree in accounting from University of Adelaide in December 2011. Mr. Leung has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since May 2018. In January 2022, Mr. Leung was recognized as a certified public accountant by the Chartered Accountants Australia and New Zealand (澳洲和新西蘭特許會計師公會).

Mr. Ji Hongwei (籍洪偉), aged 41, was appointed as an independent non-executive Director in September 2025. He is responsible for supervising and providing independent judgement to the Board.

Mr. Ji has more than 15 years of experience in the corporate management. He served as a manager at the engineering research center of Shandong Normal University (山東師範大學) from January 2011 to September 2020. Since September 2020, he served as the vice department head of Zibo Industrial Technology Research Institute Co., Ltd (淄博產業技術研究院).

Mr. Ji has been serving as a supervisor of UNIDE (Shandong) Motor Technology Co., Ltd.* (優耐德(山東)電機科技有限公司) since July 2022, the general manager of Zibo Jinshi Keji Environmental Protection New Materials Co., Ltd.* (淄博金石科稷環保新材料有限公司) since July 2023, the executive partner of Zibo Yidian Investment Management Partnership Enterprise (Limited Partnership)* (淄博一點投資管理合夥企業(有限合夥)) since November 2023, and the general manager of Liaocheng Hechuang Biotechnology Co., Ltd.* (聊城合創生物科技有限公司) and a supervisor of Ruiyi Technology (Shandong) Co., Ltd (睿羿科技(山東)有限公司) since October 2024 respectively.

He previously worked at Shandong Advanced Materials Research Institute Co., Ltd (山東產研高性能材料技術研究院有限公司) as the chairman of the Board from April 2021 to June 2022. He also served as a director of Shandong High-tech Medical Device Innovation Center Co., Ltd.* (山東高新醫療器械創新中心有限公司) from November 2022 to February 2025. Mr. Ji has been working as a legal representative of Zibo Jinshi Keji Environmental Protection New Material Co., Ltd. (淄博金石科稷環保新材料有限公司) since July 2023, and supervisor of Zibo Industrial Technology Research Institute Co., Ltd. (淄博產業技術研究院有限公司) since September 2020, Ruiyi Technology (Shandong) Co., Ltd. (睿羿科技(山東)有限公司) since October 2024 and United (Shandong) Electric Motor Technology Co., Ltd. (優耐德(山東)電機科技有限公司) since July 2022.

Mr. Ji obtained his secondary specialized education degree in chemical process from Shandong Normal University (山東師範大學) in the PRC in July 2002, and also obtained his associate degree in economics and management from Shandong Economic Management Cadre College* (山東省經濟管理幹部學院) in the PRC in January 2008. He obtained his bachelor degree in marketing from Shandong Institute of Economics (山東經濟學院) in January 2011 in the PRC.

Mr. Ji was previously a supervisor of the following company which was established in the PRC and was dissolved on a voluntary basis:

Name of Company	Nature of Business	Date of dissolution	Method of dissolution	Reasons for dissolution
Jinan Tongchuang Hengye New Materials Technology Co., Ltd* (濟南同創恆業新材料科技有限公司)	No business operation	10 May 2022	Deregistration	No business operation

Mr. Ji confirmed that the aforementioned company was solvent prior to its dissolution and that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there were no outstanding claims and/or liabilities as a result of the dissolution of such company.

Mr. Ji does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

SUPERVISOR

The table below sets forth the key information in respect of the supervisors:

Name	Age	Position	Responsibilities	Date of the appointment as a Supervisor	Date of joining the Group
Ms. Fan Wenjing (範文婧)	36	Supervisor	Responsible for supervising the performance of the Board and operational and financial activities of the Group	14 March 2024	10 January 2022

Name	Age	Position	Responsibilities	Date of the appointment as a Supervisor	Date of joining the Group
Mr. Yang Dawei (楊大偉)	37	Supervisor	Responsible for supervising the performance of the Board and operational and financial activities of the Group	24 May 2019	29 September 2014
Mr. Zhang Jicheng (張吉成)	42	Supervisor	Responsible for supervising the performance of the Board and operational and financial activities of the Group	13 June 2022	1 January 2013

Ms. Fan Wenjing (範文婧), aged 36, joined the Group in March 2024 as a supervisor. Ms. Fan is responsible for supervising the performance of the Board and operational and financial activities of the Group.

Ms. Fan has more than ten years of experience in financial management. Prior to joining our Group, she served as a treasurer in several large local enterprises, including (i) Zibo Boshan Tianti Vacuum Equipment Limited Company (淄博博山天體真空設備有限公司) from November 2012 to December 2015; (ii) Zibo Lianjun Industrial & Trading Co., Ltd. (淄博聯君工貿有限公司) from January 2016 to November 2018; (iii) Zibo Branch of Shandong Lingjun Intelligent Transportation Technology Co., Ltd.* (山東領軍智慧交通科技有限公司淄博分公司) from December 2018 to April 2019; (iv) Zibo Zhanyue Transportation Facilities Co., Ltd.* (淄博展越交通設施有限公司) from May 2019 to December 2021; and (v) China (Shandong) Electric Power Technology Co., Ltd* (中電(山東)電力科技有限公司) since January 2022.

Ms. Fan obtained an associate degree in architectural engineering technology from the Open University of China (國家開放大學) in July 2022 in the PRC; and has been pursuing a bachelor degree in financial management at Ludong University (魯東大學) in the PRC since March 2024.

Ms. Fan does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Yang Dawei (楊大偉), aged 37, served as a sales manager of the Company from September 2014 to May 2019 and was re-designated as a Supervisor and the head of sales in May 2019. He is responsible for supervising the performance of the Board and operational and financial activities of the Group.

Mr. Yang has extensive experience in sales and after-sales service management. Prior to joining our Group, he served as a machine maintenance worker at Luthai Textile Co., Ltd. (魯泰紡織股份有限公司) from July 2006 to December 2012. From December 2012 to September 2014, Mr. Yang also worked as after-sales manager at Zibo Kailiu Machinery Equipment Co., Ltd.* (淄博鍇鎏機械設備有限公司).

Mr. Yang obtained a secondary technical school degree in mechanical and electrical engineering from the Vocational Education Center of Gaoqing County* (高青縣職業教育中心) in July 2004 in the PRC.

Mr. Yang does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Zhang Jicheng (張吉成), aged 42, was appointed as a Supervisor in June 2022. He is responsible for supervising the performance of the Board and operational and financial activities of the Group.

Mr. Zhang has more than ten years of experience in production and quality assurance. In January 2013, Mr. Zhang has joined the Group, successively serving as a workshop foreman and a deputy workshop director.

Mr. Zhang obtained an associate degree in mechatronics technology from the Open University of China (國家開放大學) in January 2025 in the PRC.

Mr. Zhang does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

SENIOR MANAGEMENT

The table below sets forth the key information in respect of the senior management:

Name	Age	Position	Responsibilities	Date of the appointment as Senior management	Date of joining the Group
Mr. Li Xiaoke (李曉克)	53	Deputy general manager of the Company	Responsible for overseeing the product department	24 June 2022	1 March 2009
Mr. Jia Qiang (賈強)	44	Chief Financial Officer	Responsible for the management of finance	13 July 2022	1 November 2021

Mr. Li Xiaoke (李曉克), aged 53, is our deputy general manager. Mr. Li joined our Company in February 2009 and is responsible for overseeing the product department. Prior to that, Mr. Li served as a worker at Shandong Special Industry Group Co., Ltd. (山東特種工業集團有限公司) from August 1991 to March 1998. From March 1998 to August 2001, Mr. Li served as a salesperson of Qingdao Coca-Cola Beverages Co., Ltd. (青島可口可樂飲料有限公司) (now known as COFCO Coca-Cola Beverages (Shandong) Limited (中糧可口可樂飲料(山東)有限公司)). From July 2005 to February 2009, Mr. Li served as a workshop manager at Zibo Hualu Electrical Installation Co., Ltd.* (淄博華魯電器安裝有限公司). Since December 2019, Mr. Li has been serving as an executive director, general manager, and legal representative in Zhongdian (Shandong) Electric Power Technology Co., Ltd.* (中電(山東)電力科技有限公司). Since February 2022, Mr. Li has also been serving as an executive director and general manager in Shandong Baoding Machinery Mold Co., Ltd.* (山東寶鼎機械模具有限公司).

Mr. Li received a bachelor degree in foreign trade from Shandong Carde Open University* (山東幹部函授大學) in June 1998 in the PRC.

Mr. Li is the brother-in-law of Mr. Liu Zhentao, our founder, chairman of the Board and general manager; and also the brother of Ms. Li Xiaoyan, our executive Director.

Mr. Li does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Jia Qiang (賈強), aged 44, is the Chief Financial Officer of our Company. Mr. Jia joined our Company in December 2021 and is responsible for the management of finance of our Company.

Prior to joining our Company, Mr. Jia served successively as a chief accountant of Shandong Guihe Paper Industry Group Co., Ltd. (山東貴和紙業集團有限公司) from June 1998 to April 2007. He served as a cost accountant at Shandong Dongyue Fluorine & Silicon Material Co., Ltd. (山東東嶽氟矽材料有限公司) from April 2007 to December 2008. From December 2008 to February 2010, Mr. Jia served as a tax accountant at Zibo Qianyin Electric Engine Group Company Ltd. (淄博牽引電機集團股份有限公司). Mr. Jia served as a financial manager at Zibo Feiyuan Chemical Co., Ltd. (淄博飛源化工有限公司) from February 2010 to December 2021.

Mr. Jia obtained an associate degree in accounting from Shandong University of Technology (山東理工大學) in July 2001 in the PRC.

Mr. Jia does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Li Dong (李東) and Mr. Yang Lei (楊雷) as our joint company secretaries in August 2025, with effect from **[REDACTED]**.

Mr. Li Dong (李東), aged 52, was appointed as one of our joint company secretaries in August 2025. He also served as a secretary of the Company since June 2022. For the details, see "– Directors" in this section.

Mr. Yang Lei (楊雷), aged 35, was appointed as our joint company secretaries in August 2025. He currently served as a partner of Patrick Mak & Tse Solicitors.

Mr. Yang has abundant experience in corporate governance and company secretarial practice in listed companies on the Main Board of the Stock Exchange. Prior to joining the Group. He served as a company secretary at Tianli Holdings Group Limited (天利控股集團有限公司), a company listed on the Stock Exchange (stock code: 0117), where he was responsible for matters relating to corporate governance, information disclosure and investor relations.

Mr. Yang obtained a juris doctor degree in law from the City University of Hong Kong in July 2016 and a postgraduate certificate in laws from the City University of Hong Kong in July 2017. He obtained the legal professional qualification of the PRC in April 2015.

BOARD COMMITTEES

We have established Board Committees in accordance with the relevant PRC laws and regulations, the Articles of Association and the Corporate Governance Code, namely the Audit Committee, the Nomination Committee, the Remuneration Committee.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and Code Provision D.3.3 of the CG Code as set out in Appendix C1 to the GEM Listing Rules. The Audit Committee consists of three Directors, namely Mr. Wu Yingpeng, Mr. Leung Ka Wai and Mr. Ji Hongwei, with Mr. Leung Ka Wai currently serving as the chairman. The primary duties of the Audit Committee include, but are not limited to, the following:

(i) proposing the appointment or change of external auditors to our Board, monitoring the independence of external auditors and evaluating their performance;

(ii) examining the financial information of the Company and reviewing financial reports and statements of the Company;

(iii) examining the financial reporting system, the risk management and internal control system of the Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and

(iv) dealing with other matters that are authorized by the Board.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and Code Provision E.1.2 of the CG Code as set out in Appendix C1 to the GEM Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Wu Yingpeng, Mr. Ji Hongwei and Ms. Li Xiaoyan, with Mr. Wu Yingpeng currently serving as the chairman. The primary duties of the Remuneration Committee include, but are not limited to, the following:

(i) advising our Board on the overall remuneration plan and structure of our Directors and senior management and the establishment of transparent and formal procedures for determining the remuneration policy of the Company;

(ii) monitoring the implementation of the remuneration system of the Company;

(iii) making recommendations on the remuneration packages of our Directors and senior management; and

(iv) other duties conferred by our Board.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule 5.36A of the GEM Listing Rules and Code Provision B.3.1 of the CG Code as set out in Appendix C1 to the GEM Listing Rules. Upon **[REDACTED]**, the Nomination Committee will consist of five members, namely Mr. Liu Zhentao, Ms. Li Xiaoyan, Mr. Wu Yingpeng, Mr. Ji Hongwei and Mr. Leung Ka Wai, with Mr. Liu Zhentao serving as the chairman. The primary duties of the Nomination Committee include, but are not limited to, the following:

(i) conducting extensive search and providing our Board with suitable candidates for our Directors, general managers and other members of the senior management;

(ii) reviewing the structure, size and composition of our Board (including but not limited to, gender, age, cultural and educational background, ethnicity, skills, knowledge and experience) at least annually, assisting our Board in maintaining a board skills matrix and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(iii) researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;

(iv) assessing the independence of the independent non-executive Directors;

(v) supporting the Company's regular evaluation of our Board's performance; and

(vi) dealing with other matters that are authorized by the Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of salaries, retirement benefit scheme contributions, discretionary bonus, housing provident fund, social insurance and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairman of Board committees.

The aggregate amounts of remuneration (including salaries, retirement benefit scheme contributions, discretionary bonus, housing provident fund, social insurance and other benefits in kind) paid to our Directors and Supervisors for the years ended 31 December 2023, 2024 and 2025 were RMB2.5 million, RMB2.2 million and RMB2.4 million, respectively.

It is estimated that remuneration equivalent to approximately RMB2.4 million in aggregate will be paid to the Directors and Supervisors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending 31 December 2026 based on the arrangements currently in force.

The five individuals whose emoluments were the highest in the Group include three, four and four Director(s) for the years ended 31 December 2023, 2024 and 2025, respectively. The total emoluments for the remaining non-director individuals among the five highest paid individuals amounted to RMB0.6 million, RMB0.4 million and RMB0.5 million for the years ended 31 December 2023, 2024 and 2025, respectively. Further details on the remuneration of the five individuals whose emoluments were the highest in the Group during the Track Record Period are set out in the Accountants' Report in Appendix I to this document.

During the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to factors including but not limited to the responsibility, risk and commitment of our Directors, Supervisors and senior management, the performance evaluation structure and results and the salaries paid by comparable companies.

Save as disclosed above and see "Financial Information", "Appendix I – Accountants' Report" and "Appendix VII – Statutory and General Information", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

DIRECTOR'S CONFIRMATION

Each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date, (ii) had no other relationship with any Directors, members of senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date, (iii) did not hold any other directorship in any public company with securities listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document, and (iv) did not conduct any business activities that compete, or may compete, either directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 5.02D of the GEM Listing Rules on 10 September 2025, and (ii) understands his or her obligations as a director of a listed issuer under the GEM Listing Rules.

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 5.09(1) to (8) of the GEM Listing Rules, (ii) he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the GEM Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

See "C. Further Information about our Directors, Supervisors and Substantial Shareholders" in Appendix VII to this document for details of our Directors' respective interests or short positions (if any) in our Shares, particulars of our Directors' service contracts and letters of appointment and our Directors' remuneration.

Except as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules as of the Latest Practicable Date.

CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group for achieving effective accountability. Our Company has adopted the code provisions stated in the CG Code as set forth in Appendix C1 to the GEM Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Directors are aware of that upon the **[REDACTED]**, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole and will comply with the code provisions set out in the CG Code in Appendix C1 to the GEM Listing Rules after the **[REDACTED]**.

Save for the deviation from code provision C.2.1 of the CG Code as disclosed below, our Group's corporate governance practices have complied with the CG Code.

Code Provision C.2.1 of the CG Code

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the general manager should be segregated and should not be performed by the same individual. We do not have a separate chairperson and general manager and Mr. Liu currently performs these two roles. With his extensive experience in the precision management and trench cover industry, Mr. Liu is responsible for the overall strategic planning and general management of our Group, his knowledge and insights have been instrumental to the growth and expansion of our business since the founding of our Group. The Board believes that vesting the roles of both the chairperson and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning and implementation of the Board's decisions for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the chairperson of the Board and the general manager of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

Save as disclosed above, we are in compliance with all code provisions of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the GEM Listing Rules. Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code as set out in Appendix C1 to the GEM Listing Rules each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the **[REDACTED]**.

COMPLIANCE ADVISER

Our Company has appointed Zhongtai International Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Zhongtai International Capital Limited assumes responsibility for acting as our Company's compliance adviser. Pursuant to Rule 6A.19 of the GEM Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate (if any) or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our listed securities under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the **[REDACTED]** and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining the diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, our Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, industry experience, cultural and education background, professional experience, skills, knowledge and/or length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board having due regard to the benefits of diversity on the Board and also the specific needs of our Company without focusing on a single diversity aspect. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development as well as knowledge and experience in areas such as overall management and strategic development. They obtained degrees in various areas including international trade, law, investment economics, machining and accounting. Furthermore, our Board has a diverse age and gender representation. Our Board currently comprises three female Directors and five male Directors, ranging from 35 years old to 56 years old.

With regard to gender diversity on the Board, we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at our Board and senior management levels. We will maintain a focus on gender diversity when recruiting staff at the mid to senior level so as to develop a pipeline of potential female successors to our Board. Our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by the Nomination Committee periodically to maintain gender diversity of our Board.

Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our board diversity policy. Upon the **[REDACTED]**, the Nomination Committee will from time to time discuss and agree on expected goals to ensure board diversity, and review and, where necessary, update the board diversity policy to ensure that the policy remains effective. Our Company will disclose the biographical details of each Director and report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

OVERVIEW

Immediately prior to the **[REDACTED]**, our Company is held as to approximately 58.71%, 28.39% and 9.68% by Mr. Liu, Ms. Li and Baocheng, respectively. As (i) Ms. Li is the spouse of Mr. Liu; and (ii) Mr. Liu is the sole general partner of Baocheng, Mr. Liu, Ms. Li and Baocheng are considered to be a group of Controlling Shareholders, who collectively held approximately 96.78% of our total issued Shares as of the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]**, Mr. Liu, Ms. Li and Baocheng will collectively hold approximately **[REDACTED]**% of our total issued Shares. Accordingly, Mr. Liu, Ms. Li and Baocheng will remain as our Controlling Shareholders immediately after **[REDACTED]**.

Among our Controlling Shareholders, Mr. Liu is our chairman, general manager and executive Director and Ms. Li is our deputy general manager and executive Director. For further information of Mr. Liu and Ms. Li, see "Directors, Supervisors and Senior Management" in this document. Baocheng is our employee shareholding platform, which is owned as to approximately 12.54% by Mr. Liu. For further information of Baocheng, see "History, Development and Corporate Structure – Establishment of Employee Shareholding Platform and Capital Increase in December 2019" in this document.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after the **[REDACTED]**, for the reasons stated below, we have full rights to make all decisions on, and to carry out, our own business operation independently. We have independent senior management team and staff to support the operation and management of our business. As of the Latest Practicable Date, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon the **[REDACTED]**.

Management Independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of our executive Directors and senior management personnels of our Company. Our Board has eight Directors comprising five executive Directors, and three independent non-executive Directors. Mr. Liu, being the chairman of our Board, executive Director, and general manager, and Ms. Li, being our deputy general manager and executive Director, are two of our ultimate Controlling Shareholders. Save for Mr. Liu and Ms. Li, none of the other Directors nor other members of our senior management is a Controlling Shareholder.

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

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

(b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, such Director(s) shall fully disclose such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed "Corporate Governance Measures" in this section;

(c) three out of eight Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the GEM Listing Rules, who will bring independent judgment to the decision-making process of our Board; and

(d) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Financial Independence

Our financial management department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

During the Track Record Period and up to the Latest Practicable Date, certain bank loans of our Group were secured by guarantees provided by Mr. Liu and Ms. Li (the "**Guarantees**"). See Note 27 to the Accountants' Report in Appendix I to this documents, "Financial Information – Indebtedness – Bank and other borrowings" and "Financial Information – Related Party Transactions" in this documents for details.

Notwithstanding the existence of the Guarantees, we believe that we are able to obtain new financing from independent financial institutions on normal commercial terms without reliance on our Controlling Shareholders and/or their respective close associates. As of the date of this document, such bank loans underlying those Guarantee have been fully repaid and there is no outstanding loans or guarantee provided by or granted to our Controlling Shareholders or their respective associates to facilitate our financing.

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

NON-COMPETITION UNDERTAKING

For the purpose of compliance with the requirements for quoting on the NEEQ, Mr. Liu and Ms. Li entered into a non-competition undertaking in favour of our Company (the "**NEEQ Non-Competition Undertaking**") on 10 April 2024, pursuant to which each of them undertook, among others, that each of them would not, and would procure that his controlled corporations and close family members would not, (i) directly or indirectly, engage in any business which are or may potentially be in competition with the business carried on by our Company or any members of our Group; or (ii) own any interest in any entity that may potentially be in competition with the business carried on by our Company or any members of our Group or consolidate control in such entity in any manner.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the GEM Listing Rules (the "**CG Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

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

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders or any of their close associates, our Company will comply with the applicable GEM Listing Rules;

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

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

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

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

(vii) we have appointed Zhongtai International Capital Limited as our Compliance Adviser to provide advice and guidance to use in respect of compliance with the GEM Listing Rules, including various requirements relating to corporate governance.

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

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the following persons will have interest and/or short position in the Shares or the underlying Shares of our Company which would fall to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO:

		Shares held as of the Latest Practicable Date			Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of interest	Type of Shares[4]	Number of Shares[1]	Approximate percentage of shareholding in the total issued share capital of the Company	Type of Shares[4]	Number of Shares[1]	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. Liu	Beneficial interest	Non-H Shares	25,479,801	58.71%	Non-H Shares	[REDACTED]	[REDACTED]%
	Interest of spouse[2]	Non-H Shares	12,320,000	28.39%	Non-H Shares	[REDACTED]	[REDACTED]%
	Interest in controlled corporation[3]	Non-H Shares	4,200,000	9.68%	Non-H Shares	[REDACTED]	[REDACTED]%
Ms. Li	Beneficial interest	Non-H Shares	12,320,000	28.39%	Non-H Shares	[REDACTED]	[REDACTED]%
	Interest of spouse[2]	Non-H Shares	29,679,801	68.39%	Non-H Shares	[REDACTED]	[REDACTED]%
Baocheng	Beneficial interest	Non-H Shares	4,200,000	9.68%	Non-H Shares	[REDACTED]	[REDACTED]%

Notes:

(1) All interests stated are long positions.

(2) Mr. Liu and Ms. Li are spouses. Accordingly, they are deemed to be interested in the same number of Shares that the other person is interested in for the purpose of the SFO.

(3) As of the Latest Practicable Date, Baocheng was owned by Mr. Liu as to approximately 12.54%. Mr. Liu was the sole general partner of Baocheng and Baocheng was interested in approximately 9.68% Non-H Shares. Accordingly, Mr. Liu is deemed to be interested in the Non-H Shares held by Baocheng under the SFO.

(4) For the avoidance of doubt, both Non-H Shares and H Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

This section presents certain information regarding our share capital prior to and upon the completion of the **[REDACTED]**.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, our registered share capital was RMB43,400,000, divided into 43,400,000 Non-H Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Assuming the **[REDACTED]** is not exercised, the share capital of our Company immediately after completion of the **[REDACTED]** will be as follows:

Description of Shares	Number of Shares	Approximate percentage of our total share capital
Non-H Shares in issue as of the date of this document	43,400,000	**[REDACTED]**%
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total		100%

Assuming the **[REDACTED]** is exercised, the share capital of our Company immediately after completion of the **[REDACTED]** will be as follows:

Description of Shares	Number of Shares	Approximate percentage of our total share capital
Non-H Shares in issue as of the date of this document	43,400,000	**[REDACTED]**%
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total		100%

The above table assumes that the **[REDACTED]** has become unconditional and the H Shares are issued pursuant to the **[REDACTED]**.

CLASSES AND RANKINGS OF OUR SHARES

Upon completion of the **[REDACTED]**, our Company will have H Shares and Non-H Shares, both of which are ordinary shares in the share capital of our Company and are regarded as the same class of Shares. Apart from certain qualified domestic institutional investors in the PRC, certain qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed by or traded among legal and natural persons of the PRC.

Our H Shares and Non-H 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. Dividends in respect of the H Shares may be paid by us in Hong Kong dollars or RMB or in the form of H Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. For details of circumstances under which the Shareholders' general meeting is required, see "Appendix V – Summary of Principal Legal and Regulatory Provisions – The General Meeting" to this document.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, our Company is required to register and deposit our Shares that are not **[REDACTED]** on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the **[REDACTED]** and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not **[REDACTED]** on the overseas stock exchange as well as the **[REDACTED]** and **[REDACTED]** of our H Shares.

The following discussion and analysis of our financial position and results of operations should be read in conjunction with our historical financial information included in "Appendix I – Accountants' Report". You should read the whole Accountants' Report as set out in Appendix I to this document and not rely merely on the information in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors", "Forward-looking Statements" and elsewhere in this document.

For the purposes of this section, unless the context otherwise requires, references to the years of 2023, 2024 and 2025 refer to the years ended 31 December of such years.

In addition, the following discussion and analysis contains certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them, and all monetary amounts and percentages shown are approximate amounts only.

OVERVIEW

We specialize in advanced composite trench cover products primarily for engineering and infrastructure needs, primarily including cable trench covers, drainage trench covers, and manhole trench covers. The composite materials we utilize are primarily resin-based composites embedded with glass fibers as reinforcing materials complemented by additional structural elements like rebar and cast iron, and functional fillers such as quartz sand and calcium carbonate. Our products serve essential sectors such as power, transportation, municipal utilities, hydraulics, real estate and petrochemical engineering across China. According to Frost & Sullivan, we ranked first in China's cable trench cover and composite cable trench cover industries by market share, and ranked third in the trench cover industry by market share in 2025. For further information about our Group's business and operations, see "Business" in this document.

We generate our revenue from sales of (i) cable trench covers, (ii) manhole trench covers, (iii) drainage trench covers, and (iv) other products and services including cable trays, molds and cast iron manhole covers, agricultural covers and mold repair and maintenance services. Our revenue amounted to RMB137.1 million, RMB130.9 million and RMB143.6 million for the years ended 31 December 2023, 2024 and 2025, respectively. Our gross profit margins were 38.2%, 37.5% and 38.2% for the years ended 31 December 2023, 2024 and 2025, respectively .

BASIS OF PRESENTATION AND PREPARATION OF FINANCIAL INFORMATION

The historical financial information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**"), and is presented in RMB unless otherwise stated. The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing our historical financial information during the Track Record Period, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new or revised standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2025 are set out in Note 30 to the Accountants' Report in Appendix I to this document.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND ASSUMPTIONS

We have identified certain accounting policies that we believe are the most significant to the preparation of our consolidated financial statements. Our material accounting policy information, which are important for understanding our results of operations and financial condition, are set forth in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The results of our operations and financial condition have been and will continue to be, affected by a number of factors, including those discussed below and under the section headed "Risk Factors" in this document.

China overall market demand and economic conditions

During the Track Record Period, substantial amount of our revenue was derived from China. Accordingly, our financial condition and results of operations are subject to the overall economic, legal developments and other factors in China. Especially, economic downturn could reduce engineering and infrastructure investment activity, subsequently resulting in decrease in demand for our composite trench cover products by delaying the replacement of traditional trench covers with composite trench covers, postponing upgrades of existing trench covers, or reducing new purchases of composite trench covers. Therefore, our business, financial condition and results of operations are closely tied to the demand for composite trench cover products in Chinese market. See "Risk Factors – Risks Relating to Our Business and Industry" in this document.

Product portfolio

We have a diverse composite trench cover product portfolio including (i) cable trench covers, (ii) manhole trench covers, and (iii) drainage trench covers. The variety of our product portfolio enables us to meet our customers' various needs. During the Track Record Period, our revenue generated from the sales of the above product portfolio accounted for 96.6%, 97.8% and 94.2% of our total revenue for the years ended 31 December 2023, 2024 and 2025, respectively.

Our cable trench cover product line is fully customizable with specifications and configurations available upon request. Our cable trench covers provide (i) reliable protection against external corrosion for underground wiring, (ii) safe load-bearing capacity for pedestrian areas, and (iii) long-term durability in diverse environmental conditions, and have been extensively adopted in railway and highway tunnels and power facilities in China, particularly in substations operated by the major national grid operators and leading state-owned power transmission enterprises in China. In 2023, 2024 and 2025, our revenue generated from the sales of cable trench covers was RMB103.8 million, RMB93.8 million and RMB100.7 million, respectively, accounting for 75.7%, 71.7% and 70.1% of the total revenue for the same years, respectively.

Our drainage trench cover product line is fully customizable with all specifications and configurations available upon request and is widely applied in petroleum refinery plants, municipal infrastructure and other drainage application scenarios. Our drainage trench covers provide dual functionality: (i) ensuring effective water drainage while structurally protecting trenches from vehicular loads and (ii) safeguarding against long-term environmental degradation. With excellent corrosion resistance, our drainage trench covers are particularly suited for use in harsh chemical environments and coastal regions. In 2023, 2024 and 2025, our revenue generated from the sales of drainage trench covers was RMB14.3 million, RMB19.6 million and RMB25.2 million, respectively, accounting for 10.5%, 15.0% and 17.5% of the total revenue for the same years, respectively.

Our manhole trench cover product line is fully customizable with all specifications and configurations available upon request and is widely used in critical access points for residential areas, municipal infrastructure and other locations with underground pipeline inspection sites across broad range of sectors, including but not limited to (i) water supply distribution points ensuring reliable potable water access; (ii) stormwater and sewage systems managing urban drainage; (iii) telecommunications infrastructure supporting network maintenance; (iv) electrical service access points for power grid operations; (v) gas distribution networks requiring secure entry points; (vi) district heating systems in northern urban centers; and (vii) fire protection infrastructure including hydrants and emergency valves. In 2023, 2024 and 2025, our revenue generated from the sales of manhole trench covers was RMB14.3 million, RMB14.5 million and RMB9.4 million, respectively, accounting for 10.4%, 11.1% and 6.6% of the total revenue for the same years, respectively.

For details regarding gross profit margin of each product category, see "– Principal components of results of operations – Gross Profit and Gross Profit Margin". Our product portfolio may gradually change in the future as we further enhance our R&D capabilities and product invocation, launch new products with different pricing and margin profiles. For instance, we are exploring new materials such as thermoplastic composites and developing proprietary formulations tailored for specialized applications and optimizing our molding processes for superior performance and efficiency. We also intend to evolve our product portfolio from our current focus on fiber-reinforced thermosetting composite products to a balanced offering, incorporating both thermoset and thermoplastic solutions. At the same time, we are actively extending our footprint in the new energy market.

Seasonality

Since our composite trench cover products are primarily for municipal construction, engineering and infrastructure needs, our business experiences predictable seasonal fluctuations in demand, primarily driven by construction activity patterns across different regions.

According to Frost & Sullivan, in East China, Northwest China, North China and Central China, the infrastructure sector typically follows a cyclical pattern where project completion peaks during the third and fourth quarters of the year, when favorable weather conditions enable maximum construction productivity across most of China. Conversely, the winter months, particularly in the first quarter of the year, bring a measurable slowdown in construction activity, especially in northern provinces where temperatures regularly fall below freezing. Furthermore, the period from December to February typically sees a higher concentration of public holidays in the PRC, and construction projects often schedule breaks during this period, which may further delay infrastructure upgrades.

During the Track Record Period, the customers of our composite trench cover products were primarily located in the geographical locations of East China, Northwest China, North China and Central China. For further details, see "– Principal components of our results of operations – Revenue by region and nature of customers" in this section. Therefore, the seasonality of our business is generally in line with that of infrastructure sector in East China, Northwest China, North China and Central China. Specifically, the aforesaid seasonal downturn in the first half of the year, resulted in delays of delivery of our composite trench cover products as our customers postponed non-essential installations and municipalities delayed infrastructure upgrade. In contrast, during the second half of the year, we experienced heightened demand for the delivery of our composite trench cover products as major infrastructure projects accelerated their implementation and completion timelines. Therefore, our deliveries of composite trench cover products are usually concentrated in the second half of the year.

The following table sets forth a breakdown of our revenue and gross profit by seasonality.

	For the year ended 31 December					
	2023		2024		2025	
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
First half	48,108	16,490	46,071	15,706	46,227	15,749
Second half	89,027	35,887	84,795	33,378	97,418	39,072
Total	137,135	52,377	130,866	49,084	143,645	54,821

We typically experience higher sales in the second half of the year compared to the first half of the year. However, we believe this seasonality factor is not significant and does not have a material impact on our business operations and financial position as our business continues to grow and our brand is being increasingly recognized in the PRC market.

Impact of COVID-19

The outbreak of COVID-19 has affected the Chinese and global economy. During the COVID-19 outbreak in 2022, we had not experienced material disruptions in our production. Our Baogai Facility, Zhongdian Facility and Baogai (Xi'An) Facility were temporarily closed for a short period of time, yet without any material disruptions to our business operations. We managed a stable raw material supply chain and stable supply from our suppliers without substantial disruption, demonstrating the consistency of our operational capabilities. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the COVID-19 outbreak did not materially and adversely impact on our business, results of operations and financial condition nor caused material disruption to our supply chain.

Demand for infrastructure development and real estate market in China

We are an innovation-driven leader in composite trench cover industry in the PRC. During the Track Record Period, our products have reached customers all over China. We have a wide range of products essential to urbanisation, industrial modernisation development and energy infrastructure development as well as real estate sector. For instance, our cable trench covers are mainly used in the area of power facilities and grid operation, our drainage trench covers are primarily applied in the petroleum refinery construction, and our manhole trench covers serve the demand in real estate and municipal road construction.

According to Frost & Sullivan, we ranked first in China's cable trench cover and composite cable trench cover industries by market share, and ranked third in the trench cover industry by market share in 2025. Further, continued investment in infrastructure construction in the PRC provides a solid foundation for the expansion of the trench cover industry. Major projects across transportation networks, urban utility systems, and public service facilities have created growing demand for trench covers that offer durability, high load capacity, and resistance to corrosion. Notably, initiatives in power infrastructure, such as the west-east electricity transfer project, aging grid upgrades, UHV transmission construction, and green energy installations, are further driving specialized demand for high-performance trench covers. In response, the industry has accelerated the adoption of advanced materials and manufacturing techniques to meet project requirements under varying environmental conditions. Moreover, national policies promoting the renovation of aging infrastructure in both urban and rural areas are generating further replacement demand, stimulating innovation and boosting overall market growth.

Therefore, our revenue growth depends on the market demand for our composite trench cover products in the PRC.

Pricing of our products

Our ability to continue to price our products competitively is important to our financial performance. We determine the price of our products primarily based on cost of raw materials, meanwhile we also take into account of labour cost, transportation cost, manufacturing cost and the prevailing market price of comparable trench covers in the market. Since our composite trench cover products are fully customized to our customers' specifications upon request, we price them on a case-by-case basis. The selling price of our composite trench cover products varied for different orders during the Track Record Period, depending on the composition and proportion of raw materials required to meet each customer's specific demands. During the Track Record Period, the average selling price of our cable trench covers and drainage trench covers experienced a downward trend, see "– Principal components of our results of operations – Revenue by product" in this section.

The following table illustrates the average selling price of our composite trench cover products during the Track Record Period:

Product	For the year ended 31 December		
	2023	2024	2025
	RMB'000 per tonne	*RMB'000 per tonne*	*RMB'000 per tonne*
Cable trench cover	3.7	3.7	3.5
Drainage trench cover	5.4	4.8	4.4
Manhole trench cover	4.1	5.6	5.0

Our profit margins and results of operations may be directly and materially affected by the selling pricing of our composite trench cover products which varied during the Track Record Period in line with our pricing policy. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of our results of operation – Gross profit and gross profit margin" in this section.

The following table illustrates the hypothetical changes in selling prices of our composite trench cover products on our profit before tax for the relevant years below, assuming all other factors remained unchanged.

Hypothetical change in selling prices of our composite trench cover products	For the year ended 31 December					
	2023		2024		2025	
	Profit before tax	Change in profit before tax	Profit before tax	Change in profit before tax	Profit before tax	Change in profit before tax
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
+4%	33,757.4	19.4	29,332.6	21.7	32,506.8	24.5
+2%	31,014.7	9.7	26,715.3	10.9	29,633.9	10.7
-2%	25,529.3	(9.7)	21,480.7	(10.9)	23,888.1	(10.7)
-4%	22,786.6	(19.4)	18,863.4	(21.7)	21,015.2	(24.5)

Cost of raw materials

As disclosed above, cost of raw material is the main consideration when we price our composite trench cover products for each purchase order. To be more specific, we would estimate the total amount of each type of raw materials to be consumed for processing relevant composite trench cover products, which is multiplied by their respective unit price at which we purchase from our suppliers. Through such calculation, we may derive our products' cost of raw materials per unit. Our cost of raw material represents our major component of cost of sales, and

accounted for 66.5%, 62.7% and 61.3% of our cost of sales for the years ended 31 December 2023, 2024 and 2025, respectively. The principal raw materials for our products include unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand, calcium carbonate and others. The purchase price of our raw materials is generally determined with reference to the prevailing market conditions, which may be subject to a number of factors, such as market demands and supply chain that are beyond our control. Our profit margins and cost of sales may be directly and materially affected by the price fluctuations of the cost of raw materials. The following table illustrates the hypothetical fluctuations in cost of raw materials on our profit before tax for the relevant years below, assuming all other factors remained unchanged.

	For the year ended 31 December					
	2023		2024		2025	
Hypothetical change in cost of raw materials	**Profit before tax**	**Change in profit before tax**	**Profit before tax**	**Change in profit before tax**	**Profit before tax**	**Change in profit before tax**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
+4%	26,016.7	(8.0)	22,045.8	(8.5)	24,583.2	(8.1)
+2%	27,144.4	(4.0)	23,072.0	(4.3)	25,672.1	(4.1)
-2%	29,399.6	4.0	25,124.5	4.3	27,849.9	4.1
-4%	30,527.3	8.0	26,150.8	8.5	28,938.8	8.1

PRC's governmental polices and regulations and preferential tax treatment

We received government grants and were entitled to preferential tax treatment under relevant preferential tax policies and benefitted from preferential tax treatment during the Track Record Period. Our Company and Zhongdian (Shandong) were accredited as "High and New Technology Enterprises" during the Track Record Period and were therefore entitled to (i) a preferential income tax rate of 15%, as compared to the standard tax rate of 25%, (ii) a 100% tax reduction for qualifying R&D expenses, and the Group was entitled to an extra 5% tax reduction on input VAT tax as part of the benefits as an accredited advanced manufacturing enterprise during the Track Record Period. The above preferential tax treatments are expected to remain applicable.

In addition, Xi'An Baogai and Shandong Baoding are eligible for a preferential corporate income tax rate of 5% under the "Small and Low-Profit Enterprises" policy, as well as a 50% reduction in Urban Maintenance and Construction Tax. The above preferential tax treatments are expected to remain applicable.

Therefore, any changes in the current favorable government policies and regulations, our ability to adapt to future changes in policies and regulations, or our status as "High and New Technology Enterprises" and/or "Small Low-profit Enterprises" could affect our financial condition and results of operations.

The following table sets forth a summary of reconciliation between tax expense and accounting profit at applicable tax rates:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	28,272	24,098	26,761
Expected tax on profit before taxation, calculated at the applicable tax rate of 15%[(1)]	4,241	3,615	4,014
Tax effect of additional tax deduction on research and development expenses[(2)]	(963)	(914)	(860)
Effect of tax concessions[(3)]	(250)	(392)	(377)
Tax effect of non-deductible expenses	22	36	40
Tax effect of unused tax losses and temporary differences not recognised	–	150	(101)
Others	–	(21)	(9)
Income tax	3,050	2,474	2,707

Notes:

(1) Our Company and Zhongdian (Shandong), were qualified as "High New Tech Enterprises" and were entitled to a preferential enterprise income tax rate of 15% during the Track Record Period according to the tax incentives policies of the PRC Enterprise Income Tax Law for the High New Tech Enterprises.

(2) According to the relevant tax rules in mainland China, qualified research and development expenses are allowed for additional tax deduction based on 100% of the relevant expenses. Our Company and Zhongdian (Shandong) were entitled to such preferential tax treatment during the Track Record Period.

(3) Xi'An Baogai and Shandong Baoding, had been approved as "Small Low-profit Enterprises" and were entitled to a preferential income tax rate of 5% during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets out a summary of the results of the Group during the Track Record Period, derived from the Accountants' Report set out in Appendix I to this document.

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	137,135	130,866	143,645
Cost of sales	(84,758)	(81,782)	(88,824)
Gross profit	52,377	49,084	54,821
Other gains and losses	698	1,128	996
Selling expenses	(4,879)	(6,013)	(8,068)
General and administrative expenses	(12,278)	(12,174)	(12,033)
Research and development costs	(6,457)	(6,134)	(5,842)
Provision for impairment losses on financial assets and contract assets	(1,158)	(1,793)	(3,129)
Profit from operations	28,303	24,098	26,745
Finance income	605	307	152
Finance costs	(636)	(307)	(136)
Profit before taxation	28,272	24,098	26,761
Income tax	(3,050)	(2,474)	(2,707)
Profit for the year attributable to equity shareholders of the Company	25,222	21,624	24,054
Earnings per share			
Basic and diluted *(RMB)*	0.58	0.50	0.55

PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we mainly generated revenue from sale of our composite trench covers products, namely, (i) cable trench covers, (ii) drainage trench covers, and (iii) manhole trench covers. Our total revenue amounted to RMB137.1 million, RMB130.9 million and RMB143.6 million for the years ended 31 December 2023, 2024 and 2025, respectively.

Revenue by product

The following table sets out our revenue breakdown by our product type during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
Cable trench covers	103,840	75.7	93,824	71.7	100,661	70.1
Drainage trench covers	14,347	10.5	19,570	15.0	25,203	17.5
Manhole trench covers	14,275	10.4	14,528	11.1	9,426	6.6
Sub-total	132,462	96.6	127,922	97.8	135,290	94.2
Others[(1)]	4,673	3.4	2,944	2.2	8,355	5.8
Total	137,135	100	130,866	100	143,645	100

Note:

(1) Others primarily consist of sales of cable trays, molds and cast iron manhole covers, agricultural covers and mold repair and maintenance services.

The following table sets out a breakdown of (i) the revenue amount, (ii) the sale volume and (iii) the average selling price by each composite trench cover products during the Track Record Period. Our products are customized. Due to the nature of our products, we offer a wide range of products with different product characteristics, specifications, functions, complexity, features, and prices. Therefore, our average selling prices may vary depending on the product type, customer type, production process, and delivery period.

	For the year ended 31 December								
	2023			2024			2025		
	RMB'000	*Kilotons*	*RMB'000 per tonne*	*RMB'000*	*Kilotons*	*RMB'000 per tonne*	*RMB'000*	*Kilotons*	*RMB'000 per tonne*
Cable trench covers	103,840	28.2	3.7	93,824	25.7	3.7	100,661	29.1	3.5
Drainage trench covers	14,347	2.6	5.4	19,570	4.1	4.8	25,203	5.7	4.4
Manhole trench covers	14,275	3.5	4.1	14,528	2.6	5.6	9,426	1.9	5.0

Cable trench covers

Revenue from sales of our cable trench covers was RMB93.8 million in 2024, representing a decrease of 9.6% compared with RMB103.8 million in 2023. The decline was mainly attributable to an 8.9% reduction in sales volume, from 28.2 kilotons in 2023 to 25.7 kilotons in 2024, amid a weaker market environment with reduced urban public infrastructure spending. In 2024 and 2025, the increase in the revenue from sales of our cable trench covers from RMB93.8 million to RMB100.7 million was generally due to the increase in our sales in Northwest China, which witnessed an increase in infrastructure spending.

Cable trench covers are primarily utilized in railway and highway tunnels, power facilities, urban public infrastructure, and water conservancy sectors. According to Frost & Sullivan, the overall composite cable trench cover market expanded by approximately 4.5% between 2023 and 2024. However, our aggregate revenue from these products decreased by approximately 9.6% in 2024, deviating from the broader industry trend due to divergent demand dynamics across downstream segments.

During the Track Record Period, our sales to power-related industries, the principal application for cable trench covers, benefited from sustained investments in power grids and related facilities, and witnessed an increase during the Track Record Period. Nevertheless, this growth was offset by significant contractions in other sectors, primarily driven by a generally weaker market environment characterized by reduced infrastructure spending and the broader slowdown in the PRC property market.

For cable trench covers, our products were divided into flame-retardant and non-flame-retardant based on their characteristics. We add extra sorts of fire-resistant materials with different quantities and proportions according to our customers' specific requirements. Therefore, the price of flame-retardant cable trench covers was generally higher than that of non-flame-retardant cable trench covers. The following table illustrates the total revenue of flame-retardant and non-flame-retardant cable trench covers for the years ended 31 December 2023, 2024 and 2025:

	For the year ended 31 December								
	2023			2024			2025		
	RMB'000	*Tonne*	*RMB'000 per tonne*	*RMB'000*	*Tonne*	*RMB'000 per tonne*	*RMB'000*	*Tonne*	*RMB'000 per tonne*
Flame-retardant	15,845	3,536.1	4.5	15,541	3,379.3	4.6	4,926	1,144	4.3
Non-flame-retardant	87,995	24,621.2	3.6	78,283	22,260.0	3.5	95,735	27,957	3.4
Total	103,840	28,157.4	3.7	93,824	25,639.3	3.7	100,661	29,101	3.5

Our revenue generated from the sales of flame-retardant cable trench covers for the years end 31 December 2023, 2024 and 2025 was RMB15.9 million, RMB15.4 million, and RMB4.9 million, respectively. Such decrease was primarily due to reduced procurement from Customer A in 2025. This resulted from delays in construction projects, which consequently postponed the demand for our products.

The average selling price of our flame-retardant cable trench covers increased from RMB4,500 per tonne in 2023 to RMB4,600 per tonne in 2024. This increase was primarily driven by our strategic shift to prioritize high-quality customers amidst the downturn in the infrastructure construction sectors, which allowed us to maintain higher pricing.

Subsequently, in 2025, the average selling price decreased to RMB4,300 per tonne. This downward adjustment was primarily attributable to our proactive price reductions as a strategic response to intensified market competition, aimed at consolidating our market share and sustaining our competitive edge.

Our revenue generated from the sales of non-flame-retardant cable trench covers for the years end 31 December 2023, 2024 and 2025 was RMB88.0 million, RMB78.3 million, and RMB95.7 million, respectively. The fluctuations in revenue for this product category were consistent with the overall trend of our cable trench covers. The average selling price of our non-flame-retardant cable trench cover were RMB3,600 per tonne, RMB3,500 per tonne RMB3,400 per tonne for the years ended 31 December 2023, 2024 and 2025, respectively. Such decrease in average selling price was primarily due to our proactive price reductions as a

strategic response to intensified market competition, aimed at consolidating our market share and sustaining our competitive edge.

Drainage trench covers

Revenue from sales of our drainage trench covers was RMB19.6 million in 2024, representing an increase of 37.1% compared with RMB14.3 million in 2023. Notwithstanding the backdrop of reduced infrastructure spending, the increase was primarily attributable to a 57.7% rise in sale volume, from 2.6 kilotons in 2023 to 4.1 kilotons in 2024, driven by our more proactive cooperation with trading customers including more frequent follow-up and the granting of procurement discounts, which generated additional purchase orders during the year. To be specific, we offered a price discount of up to 10% to trading customers in 2024, whilst, during the same period the average selling price of our drainage trench covers decreased from RMB5,400 per tonne to RMB4,800 per tonne, as a result that we offered a favourable selling price to certain trading customers in return for long-term and more comprehensive cooperation with them.

Revenue from sales of our drainage trench covers was RMB25.2 million in 2025, representing an increase of 28.6% compared with RMB19.6 million in 2024. This growth was primarily driven by strong procurement from trading customers, specifically Customer E and Customer J. During the same period, the average selling price decreased from RMB4,800 per tonne to RMB4,400 per tonne. This decline was consistent with the factors aforementioned, primarily reflecting our proactive price reductions as a strategic response to intensified market competition, aimed at consolidating our market share and sustaining our competitive edge.

In response to the downturn in the urban public infrastructure sector, we implemented more proactive marketing strategies to fortify our market position. These initiatives included intensified follow-ups with trading customers and the strategic granting of procurement discounts. Despite the overall contraction of the infrastructure industry, such measures effectively captured additional purchase orders for our drainage trench covers and expanded our market presence.

Manhole trench covers

Revenue from sales of our manhole amounted to RMB14.3 million, RMB14.5 million and RMB9.4 million for the years ended 31 December 2023, 2024 and 2025, respectively. Our revenue from manhole trench covers managed to record an increase from RMB14.3 million to RMB14.5 million in 2024. This was primarily attributable to a shift in product mix from BMC manhole trench covers to SMC manhole trench covers, which command a higher average selling price. This favorable shift offsets the decline in sales volume experienced amid the general reduction in infrastructure spending. The decline in revenue in 2025 was primarily due to a decrease in sales volume as exacerbated by the concurrent general slowdown in the property construction and infrastructure sectors.

For manhole trench covers, certain of our customers were more concerned about product features and high load-bearing capacity. Therefore, revenue from SMC manhole trench covers accounted for a considerable portion of our revenue from manhole trench covers and the price of SMC manhole trench covers was generally higher than that of BMC manhole trench covers. The following table illustrates the total revenue of BMC and SMC manhole trench covers for the years ended 31 December 2023, 2024 and 2025:

	For the year ended 31 December								
	2023			2024			2025		
	RMB'000	*Tonne*	*RMB'000 per tonne*	*RMB'000*	*Tonne*	*RMB'000 per tonne*	*RMB'000*	*Tonne*	*RMB'000 per tonne*
Manhole trench covers – BMC	13,800	3,457.7	4.0	9,565	2,104.2	4.6	6,958	1,615	4.3
Manhole trench covers – SMC	475	52.7	9.0	4,963	493.9	10.1	2,468	265	9.3
Total	14,275	3,510.4	4.1	14,528	2,598.1	5.6	9,426	1,880	5.0

The average selling price of BMC manhole trench covers increased from RMB4,000 per tonne in 2023 to RMB4,600 per tonne in 2024. This increase was primarily driven by our strategic shift to prioritize high-quality customers amidst the downturn in the property construction and infrastructure sectors. In 2024 and 2025, the average selling price of BMC manhole trench covers decreased from RMB4,600 per tonne to RMB4,300 per tonne, which was primarily driven by our proactive price reductions as a strategic response to intensified market competition.

The average selling price of SMC manhole trench covers increased from RMB9,000 per tonne in 2023 to RMB10,100 per tonne in 2024. In 2024 and 2025, the average selling price of SMC manhole trench covers decreased from RMB10,100 per tonne to RMB9,300 per tonne. The decrease in sales volume of our SMC manhole trench covers from 493.9 tonnes in 2024 to 265 tonnes in 2025 was primarily attributable to decrease in sales to Customer F, a state-owned infrastructure enterprise resulting from the slowdown in certain of its project works.

In addition, the deviation of the Company's sales trend for manhole cover products from the typical industry seasonality was primarily attributable to the suspension of certain infrastructure projects by Customer F in the second half of 2024 and subsequently sales from Customer F in the second half of 2024 decreased.

The overall average selling price of our cable trench covers and drainage trench covers recorded a decrease during the Track Record Period, which was due to our proactive price reductions as a strategic response to intensified market competition aimed at consolidating our market share and sustaining our competitive edge.

Revenue by Production Process

During the Track Record Period, our raw material processing encompasses key processing procedures, namely BMC and SMC. The table below sets forth the breakdown of our revenue by production process for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
BMC	132,621	96.7	122,573	93.7	133,832	93.2
SMC	2,277	1.7	6,839	5.2	8,309	5.8
Others(1)	2,237	1.6	1,454	1.1	1,504	1.0
Total	137,135	100	130,866	100	143,645	100

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers and mold repair and maintenance.

Revenue by region and nature of customers

During the Track Record Period, we derived revenue primarily from customers incorporated in the geographical locations of East China, Northwest China, North China and Central China, and the vast majority of our revenue are derived from corporate customers. The following table sets forth a breakdown of our revenue by region and nature of our customers during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
Mainland China						
East China(1)	57,941	42.3	50,910	38.9	55,525	38.7
Northwest China(2)	18,908	13.8	17,450	13.3	25,658	17.9
North China(3)	27,628	20.1	33,699	25.8	28,641	19.9
Southwest China(4)	9,969	7.3	7,144	5.5	6,890	4.8
Central China(5)	15,063	11.0	14,082	10.8	17,420	12.1
Northeast China(6)	3,175	2.3	3,221	2.5	5,793	4.0
South China(7)	4,084	3.0	2,230	1.7	1,654	1.2
Others(8)	–	–	2,055	1.6	704	0.5
Sub-total	136,769	99.7	130,791	99.9	142,287	99.1
Overseas	366	0.3	75	0.1	1,358	0.9
Total	137,135	100	130,866	100	143,645	100

Notes:

(1) East China consists of the corporate customers located in the provinces of Shandong, Jiangsu, Zhejiang, Anhui, Jiangxi and Fujian, and the municipality of Shanghai.

(2) Northwest China consists of the corporate customers located in the provinces of Shaanxi, Gansu and Qinghai, and the autonomous regions of Ningxia and Xinjiang.

(3) North China consists of the corporate customers located in the provinces of Hebei and Shanxi, the municipality of Beijing and Tianjin, and the autonomous region of Inner Mongolia.

(4) Southwest China consists of the corporate customers located in the provinces of Sichuan, Guizhou, Yunnan, the municipality of Chongqing and the autonomous region of Xizang.

(5) Central China consists of the corporate customers located in the provinces of Henan, Hubei and Hunan.

(6) Northeast China consists of the corporate customers located in the provinces of Liaoning, Jilin and Heilongjiang.

(7) South China consists of the corporate customers located in the provinces of Guangdong and Hainan, and the autonomous region of Guangxi.

(8) Others consist of individual customers.

Revenue by customer type

Our customers include (i) direct customers and (ii) trading customers during the Track Record Period. Direct customers of composite trench cover products consist of downstream customers in sectors such as electricity, railways, highways, petrochemical and municipal infrastructure, they engage with us through our direct sales channel and purchase our products for direct application in their operations, while trading customers thereof are independent entities that place orders with us based on their end-users' or contractors' requirements, primarily for the purpose of resale.

The following table sets forth a breakdown of our revenue by customer type during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue	Revenue *RMB'000*	% of total revenue
Direct Customers	99,551	72.6	95,263	72.8	96,524	67.2
Trading Customers	37,584	27.4	35,603	27.2	47,121	32.8
Total	137,135	100	130,866	100	143,645	100

Cost of sales

Cost of sales represents costs directly attributable to the provision of our products. During the Track Record Period, our costs of sales comprised (i) cost of raw materials, (ii) labour cost, (iii) manufacturing cost and (iv) others. For the years ended 31 December 2023, 2024 and 2025, our cost of sales was RMB84.8 million, RMB81.8 million and RMB88.8 million, respectively.

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*	*RMB'000*	*% of total cost of sales*
Raw materials	56,381	66.5	51,312	62.7	54,446	61.3
Labour cost	14,454	17.1	14,017	17.1	14,320	16.1
Manufacturing cost	6,961	8.2	9,371	11.5	10,907	12.3
Others	6,962	8.2	7,082	8.7	9,151	10.3
Total	84,758	100	81,782	100	88,824	100

As a primary component of cost of sales, our raw material costs were RMB56.4 million, RMB51.3 million and RMB54.4 million for the years ended 31 December 2023, 2024 and 2025, respectively. Such raw material costs primarily consisted of the costs of unsaturated polyester resin, cast iron, glass fiber, rebar, quartz sand, calcium carbonate and others as our raw materials. The proportion of material costs of the total cost of sales decreased from 66.5% for 2023 to 62.7% for 2024 and further decreased to 61.3% for 2025. Such overall continuing decrease in costs of raw materials was resulted from our continuing effort to enhance bargaining power with our relevant suppliers by the establishment of cooperation relationship with increasing number of suitable suppliers in return for more competitive selling prices offered therefrom.

Our manufacturing cost consists of, among others, depreciation of our property, plant and equipment. The increase of manufacturing cost from RMB7.0 million in 2023 to RMB9.4 million in 2024 was due to our commencement of operation of our new plant, and then the depreciation thereof was counted into our cost of sales in 2024. The increase of manufacturing cost from RMB9.4 million in 2024 to RMB10.9 million in 2025 was in line with the growth of our revenue.

Gross profit and gross profit margin

Our gross profit was RMB52.4 million, RMB49.1 million and RMB54.8 million for the years ended 31 December 2023, 2024 and 2025, respectively. Our overall gross profit margin was 38.2%, 37.5% and 38.2% for the years ended 31 December 2023 , 2024 and 2025, respectively. The decrease in our overall gross profit margin in 2024 compared to 2023 was mainly attributable to the decline in the gross profit margin of our drainage trench covers, which was consistent with the decrease in our overall gross profit during the same period.

The following table sets forth a breakdown of our gross profit and gross profit margin by customer type.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit *RMB'000*	**Gross profit margin** *%*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	**Gross profit** *RMB'000*	**Gross profit margin** *%*
Direct Customers	39,756	39.9	37,768	39.6	39,131	40.5
Trading Customers	12,621	33.6	11,316	31.8	15,690	33.3
Total	52,377	38.2	49,084	37.5	54,821	38.2

Our gross profit margins for direct customers were higher than those for trading customers during the Track Record Period, primarily because we are able to command higher premium pricing through direct sales without the involvement of intermediaries. Our gross profit margin for direct customers was 39.9%, 39.6%, and 40.5% for the years ended 31 December 2023, 2024, and 2025, respectively. In contrast, our gross profit margin for trading customers was 33.6% in 2023, which decreased to 31.8% in 2024, primarily due to strategic price discounts offered to foster more proactive collaborations. This margin subsequently recovered to 33.3% in 2025, mainly driven by our enhanced bargaining power resulting from the expansion of our supplier base, which effectively optimized our cost structure and reduced procurement expenses.

The following table sets forth a breakdown of our gross profit and gross profit margin by our composite trench cover products.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
Cable trench cover	38,758	37.3	35,190	37.5	37,061	36.8
Drainage trench cover	6,315	44.0	6,622	33.8	10,383	41.2
Manhole trench cover	5,774	40.4	6,269	43.2	3,781	40.1
Others[(1)]	1,530	32.7	1,003	34.1	3,596	43.0
Total	52,377		49,084		54,821	

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers, agricultural covers and mold repair and maintenance.

Cable trench covers: In 2023, 2024 and 2025, our gross profits for cable trench covers were generally in line with our revenue generated therefrom for the same years. Our gross profit margins for cable trench covers during the Track Record Period were 37.3%, 37.5% and 36.8%, respectively.

Drainage trench covers: In 2023 and 2024, our gross profits for drainage trench covers were RMB6.3 million and RMB6.6 million, respectively, while our gross profit margin decreased from 44.0% to 33.8%. In 2024, we actively procured more cooperation with certain trading customers to whom we offered favourable selling prices to increase sales of our drainage trench covers, which caused such decrease in our gross profit margin of drainage trench covers in 2024. In 2024 and 2025, our gross profit margin for drainage trench covers increased from 33.8% to 41.2%. Such increase was primarily driven by the optimization of our product mix, characterized by an increased revenue contribution from rebar reinforcement framework drainage trench covers, while the proportion of lower margin cast iron reinforcement framework drainage trench covers decreased accordingly. Furthermore, our Company leveraged its in-house machinery, including rebar straightening machine and mesh drawing machine, to process rebar internally. This vertical integration effectively reduced our production costs and bolstered the gross profit margin of our rebar reinforcement framework drainage trench covers and as such, our gross profit margin for products with rebar reinforcement framework is higher than that with cast iron reinforcement framework.

Manhole trench covers: In 2023 and 2024, our gross profits for manhole trench covers were RMB5.8 million and RMB6.3 million, respectively. For the same periods, the increase in our gross profit margin from 40.4% to 43.2% was due to increase in average selling price of our manhole trench covers from RMB4,100 per tonne in 2023 to RMB5,600 per tonne in 2024 as

products with more enhanced features and higher price, including our SMC manhole trench covers, proportionately increased. In 2024 and 2025, our gross profits for manhole trench covers were generally in line with our revenue generated therefrom for the same periods. However their gross profit margins decreased from 43.2% to 40.1%, primarily due to a decline in the proportion of revenue contribution from SMC manhole trench covers, which typically command a higher profit margin.

The following table sets forth a breakdown of our gross profit and gross profit margin by production process.

	For the year ended 31 December					
	2023		2024		2025	
	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*	Gross profit *RMB'000*	Gross profit margin *%*
BMC	50,863	38.4	45,564	37.2	50,263	37.6
SMC	1,068	46.9	3,123	45.7	3,498	42.1
Others[(1)]	446	19.9	397	27.3	1,060	70.4
Total	52,377	38.2	49,084	37.5	54,821	38.2

Note:

(1) Others primarily consist of molds, cast iron manhole trench covers and mold repair and maintenance.

During the Track Record Period, our gross profit margin for SMC products was generally higher than that for BMC products, because SMC products offered enhanced mechanical properties and performance over BMC products due to their higher proportion of glass fiber content and longer glass fiber length, which rendered us greater bargaining power against our customers over pricing.

Other gains and losses

During the Track Record Period, our other gains and losses included (i) government grants, which mainly represented government support to our operation, for example, value-added tax additional deductions and incentives in support of our research and development activities, (ii) gains on financial assets measured at FVPL, (iii) net gains/(losses) from disposal or scrap of property, plant and equipment, and (iv) others.

Our other gains and losses amounted to RMB0.7 million, RMB1.1 million and RMB1.0 million for the years ended 31 December 2023, 2024 and 2025, respectively.

The following table sets forth the breakdown of our other gains and losses during the Track Record Period:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	597	856	790
Gains on financial assets measured at FVPL	34	135	203
Net gains/(losses) from disposal or scrap of property, plant and equipment	3	(2)	(4)
Others	64	139	7
Total	698	1,128	996

The government grants recorded an increase from RMB0.6 million in 2023 to RMB0.9 million in 2024 due to increased value added tax refund in 2024. Thereafter, the government grants decreased by RMB66,000 for the year ended 31 December 2025 as compared to that for the same period in 2024, which resulted from the slowdown of application and approval phases for government grants in 2025 and therefore we received less grants in 2025.

Selling expenses

Our selling expenses amounted to RMB4.9 million, RMB6.0 million and RMB8.1 million for the years ended 31 December 2023, 2024 and 2025, respectively. Such selling expenses mainly comprise (i) salaries and benefits, primarily consisting of salaries, bonuses, social insurance and other benefits for our sales staff, (ii) advertisement and promotional fees, (iii) business development and travel expenses, (iv) fixed assets depreciation, and (v) miscellaneous fees.

The table below sets forth the breakdown of our Group's selling expenses during the Track Record Period:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and Benefits	3,086	3,444	4,575
Advertisement and Promotional Fees	1,103	1,772	2,676
Business Development and Travel Expenses	525	644	704
Fixed Assets Depreciation	8	7	5
Miscellaneous Fees[(1)]	157	146	108
Total	4,879	6,013	8,068

Note:

(1) Miscellaneous fees mainly consist of transportation charges, stationery expenses and phone bills.

Our salaries and benefits expenses amounted to RMB3.1 million, RMB3.4 million and RMB4.6 million for the years ended 31 December 2023, 2024 and 2025, respectively, mainly consisting of remuneration to our sales staff. Such continuing increase in the salaries and

benefits during the Track Record Period were due to (i) the continuing increase in the number of our sales staff and (ii) the increasing commission rate to incentivize those with outstanding performance where the commission rates are tiered from 1% to 3% based on the amounts of receivable collection, which varies depending on the quantity and price of sales orders and the status of customer accounts receivable collection. Notably, to further incentivize our sales force, the average commission rate increased by approximately 1% in 2024 compared to 2023, while remaining relatively consistent in 2025. Our commission for our sales staff amounted to RMB1.6 million, RMB2.7 million and RMB2.5 million for the years ended 31 December 2023, 2024 and 2025, respectively.

Our advertisement and promotional fees amounted to RMB1.1 million, RMB1.8 million and RMB2.7 million for the years ended 31 December 2023, 2024 and 2025, respectively. Such continuing increase was due to the expansion of advertisement campaigns across multiple online and offline platforms, and subscription fees to increase search engine visibility.

Our business development and travel expenses amounted to RMB0.5 million, RMB0.6 million and RMB0.7 million for the years ended 31 December 2023 , 2024 and 2025 respectively .

General and administrative expenses

During the Track Record Period, our general and administrative expenses included (i) payroll and benefits, (ii) entertainment, (iii) depreciation and amortization, (iv) transportation, (v) professional fee, which mainly consists of audit fee, and consultation fee arising from the NEEQ listing and (vi) others.

Our general and administrative expenses amounted to RMB12.3 million, RMB12.2 million and RMB12.0 million for years ended 31 December 2023, 2024 and 2025, respectively. The following table sets forth the breakdown of our general and administrative expenses for the periods indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and benefits	6,426	5,929	6,220
Entertainment	324	459	546
Depreciation and amortization	2,086	2,115	1,995
Transportation	452	453	444
Professional fee	1,349	1,719	1,308
Others[(1)]	1,641	1,499	1,519
Total	12,278	12,174	12,033

Note:

(1) Others mainly include travelling expenses, taxes and surcharges, office expenses, phone bills and bank charges.

During the Track Record Period, our professional fees were RMB1.3 million, RMB1.7 million and RMB1.3 million for the years ended 31 December 2023, 2024 and 2025, respectively, which were incurred in connection with the quotation of our Non-H Shares on the NEEQ in 2024.

Research and development costs

The following table sets forth the breakdown of our research and development costs for the periods indicated:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
R&D of Materials	2,585	40.0	2,614	42.6	2,364	40.5
Labour Cost	3,070	47.6	2,696	43.9	2,591	44.4
Depreciation	359	5.6	356	5.8	322	5.5
Outsource of R&D	200	3.1	200	3.3	200	3.4
Electricity	111	1.7	189	3.1	175	3.0
Others	132	2.0	80	1.3	190	3.2
Total	6,457	100	6,134	100	5,842	100

Our research and development costs mainly consist of (i) R&D of materials, which mainly consists of unsaturated polyester resin, glass fiber, quartz sand, calcium carbonate, rebar and others, (ii) labour cost, (iii) depreciation, (iv) outsource of R&D expenses paid to Shandong University of Technology, (v) electric, and (vi) others. Comparing to the year ended 31 December 2023, our research and development costs decreased from RMB6.5 million to RMB6.1 million in the year ended 31 December 2024, primarily due to the decrease in our labor cost from RMB3.1 million to RMB2.7 million across the period, which was attributable to, in particular, the decrease in the number of our R&D staff from 27 as of 31 December 2023 to 21 as of 31 December 2024. There is also a decrease in total R&D expenses from RMB6.1 million for the year ended 31 December 2024 to RMB5.8 million for the year ended 31 December 2025 as certain newly initiated projects have yet to reach the experiment phase up to 31 December 2025. For the years ended 31 December 2023, 2024 and 2025, our research and development costs accounted for 4.7%, 4.7% and 4.1% of our total revenue, respectively.

As of the Latest Practicable Date, our R&D department consisted of 21 staff. During the Track Record Period, through the efforts of our research and development department, the key personnel under our R&D team includes two distinguished professors as technical advisers, who leads our thermoplastic composites research and assist in product design and market expansion respectively. For further information, see "Business – Research and Development" in this document.

Provision for impairment losses on financial assets and contract assets

We recorded provision for impairment losses on financial assets and contract assets in the amount of RMB1.2 million, RMB1.8 million and RMB3.1 million for the years ended 31 December 2023, 2024 and 2025, respectively. Such increase in the provision for impairment losses on financial assets and contract assets was associated with our receivables that remain unsettled by applying the expected credit loss model following applicable accounting standards.

Finance income

During the Track Record Period, our finance income only consisted of interest income from bank deposits. Our finance income decreased from RMB0.6 million in 2023 to RMB0.3 million in 2024, and further decreased by RMB0.2 million in 2025, as compared to that for the same period in 2024. Such change in interest income from bank deposits was in line with the balance of our bank deposits for the relative years.

Finance costs

During the Track Record Period, our finance costs recorded RMB0.6 million, RMB0.3 million and RMB0.1 million for the years ended 31 December 2023 , 2024 and 2025, respectively. Our finance costs included (i) interest on lease liabilities, and (ii) interest on bank loans and other borrowings. Our interest on lease liabilities was RMB0.2 million, RMB0.1 million and RMB0.1 million for the years ended 31 December 2023, 2024 and 2025, respectively. In particular, our interest on bank loans and other borrowings was RMB0.5 million, RMB0.2 million and RMB36,000 for the years ended 31 December 2023, 2024 and 2025, respectively. Such change in interest on bank loans and other borrowings was in line with the balance of outstanding principal of our bank and other borrowings for the relative years.

Income tax

We primarily derived our revenue in the PRC, therefore, our Group was subject to the PRC EIT. Under the PRC EIT, the standard tax rate for an enterprise is 25%. Due to the PRC government's favourable policies concerning "High and New Technology Enterprises", and "Small and Low-Profit Enterprises", certain members of our Group had benefited from a preferential tax rate during the Track Record Period. See "Regulatory Overview" in this document for further details.

We were entitled to preferential tax treatment under relevant preferential tax policies during the Track Record Period. As of 31 December 2023, 2024 and 2025, we benefited from the following preferential tax treatment. We and Zhongdian (Shandong) were accredited as "High and New Technology Enterprises" during the Track Record Period and were therefore entitled to (i) a preferential income tax rate of 15%, as compared to the standard tax rate of 25%, and (ii) a 100% tax reduction for qualifying R&D expenses.

In addition, Xi'An Baogai and Shandong Baoding are eligible for a preferential corporate income tax rate of 5% under the "Small and Low-Profit Enterprise" policy, as well as a 50% reduction in Urban Maintenance and Construction Tax. Xi'An Baogai and Shandong Baoding were entitled to such tax deduction during the Track Record Period. The above preferential tax treatment is expected to remain applicable.

For the reconciliation between tax expense and accounting profit at applicable tax rates, see "– Major factors affecting our financial condition and results of operations – PRC's governmental policies and regulations and preferential tax treatment" in this section.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

Profit for the year

For the years ended 31 December 2023, 2024 and 2025, our profit for the year was RMB25.2 million, RMB21.6 million and RMB24.1 million, respectively. Our net profit decreased by 14.3% from RMB25.2 million in 2023 to RMB21.6 million in 2024 primarily due to: (i) the decrease in revenue, largely driven by decline in revenue from sales of our cable trench covers, our main revenue segment, amid a weaker market environment with reduced urban public infrastructure constructions, although such decrease was offset by an increase in sales of our drainage trench covers and manhole trench covers in the same period; and (ii) the increase in selling expenses due to the increase in commission rate and the increase in advertisement and promotional fees. Our net profit increased by 11.6% from RMB21.6 million for the year ended 31 December 2024 to RMB24.1 million for the year ended 31 December 2025. Such increase was generally in line with the increase in revenue.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

For the year ended 31 December 2025 compared to the year ended 31 December 2024

Revenue

Our revenue increased by RMB12.8 million or 9.8% from RMB130.9 million for the year ended 31 December 2024 to RMB143.6 million for the year ended 31 December 2025. For more details, see "– Principal components of results of operations – Revenue" in this section.

Cost of sales

Our cost of sales increased by RMB7.0 million or 8.6% from RMB81.8 million for the year ended 31 December 2024 to RMB88.8 million for the year ended 31 December 2025. For more details, see "– Principal components of results of operations – cost of sales" in this section.

Gross profit and gross profit margin

Our gross profit increased by RMB5.7 million or 11.6% from RMB49.1 million for the year ended 31 December 2024 to RMB54.8 million for the year ended 31 December 2025. Our gross profit margin increased from 37.5% for the year ended 31 December 2024 to 38.2% for the year ended 31 December 2025. For more details, see "– Principal components of results of operations – Gross profit and gross profit margin" in this section.

Research and development costs

Our research and development costs decreased by RMB0.3 million or 4.9% from RMB6.1 million for the year ended 31 December 2024 to RMB5.8 million for the year ended 31 December 2025. The decrease was primarily attributable to newly initiated projects that have not yet advanced to the experimental phase. For a detailed discussion on the reasons of the decrease, see "– Principal components of our results of operation – Research and development costs" in this section.

Other gains and losses

Other gains and losses reduced by RMB0.1 million or 9.1% from RMB1.1 million for the year ended 31 December 2024 to RMB1.0 million for the year ended 31 December 2025. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Other gains and losses" in this section.

Selling expenses

Selling expenses increased by RMB2.1 million or 35.0% from RMB6.0 million for the year ended 31 December 2024 to RMB8.1 million for the year ended 31 December 2025. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Selling expenses" in this section.

General and administrative expenses

General and administrative expenses decreased by RMB0.2 million or 1.6% from RMB12.2 million for the year ended 31 December 2024 to RMB12.0 million for the year ended 31 December 2025. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of our results of operations – General and administrative expenses" in this section.

Provision for impairment losses on financial assets and contract assets

We recorded provision for impairment losses financial assets and contract assets in the amount of RMB1.8 million for the year ended 31 December 2024 while provision for impairment losses on financial assets and contract assets in the amount of RMB3.1 million for the year ended 31 December 2025. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Provision for impairment losses on financial assets and contract assets" in this section.

Finance income

Our finance income only consists of interest income from bank deposits. Our finance income decreased by RMB0.1 million for the year ended 31 December 2025, as compared to that for the same period in 2024. Such decrease was in line with the balance of our bank deposits for the years ended 31 December 2024 and 2025, respectively.

Finance costs

Our finance costs included interest on lease liabilities and interest on bank loans. Our interest on lease liabilities was RMB0.1 million for the year ended 31 December 2024 and RMB0.1 million for the year ended 31 December 2025 respectively. Our interest on bank and other borrowings decreased by RMB0.1 million or 78.3% from RMB0.2 million for the year ended 31 December 2024 to RMB36,000 for the year ended 31 December 2025. The reduction in interest on bank and other borrowings is primarily attributable to a lowered average loan balance.

Income tax

Income tax increased by RMB0.2 million from RMB2.5 million for the year ended 31 December 2024 to RMB2.7 million for the year ended 31 December 2025 primarily due to a higher profit before taxation for the year ended 31 December 2025 compared to the same period in 2024.

Profit of the period

As a result of the foregoing, our net profit increased by RMB2.5 million or 11.6% from RMB21.6 million for the year ended 31 December 2024 to RMB24.1 million for the year ended 31 December 2025.

For the year ended 31 December 2024 compared to the year ended 31 December 2023

Revenue

Our revenue decreased by RMB6.2 million or 4.5% from RMB137.1 million for the year ended 31 December 2023 to RMB130.9 million for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Revenue" in this section.

Cost of sales

Our cost of sales slightly decreased by RMB3.0 million or 3.5% from RMB84.8 million for the year ended 31 December 2023 to RMB81.8 million for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Cost of sales" in this section.

Gross profit and gross profit margin

Our gross profit decreased by RMB3.3 million or 6.3% from RMB52.4 million for the year ended 31 December 2023 to RMB49.1 million for the year ended 31 December 2024. Our gross profit margin slightly reduced from 38.2% for the year ended 31 December 2023 to 37.5% for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Gross profit and gross profit margin" in this section.

Research and development costs

Our research and development costs decreased by RMB0.4 million or 6.2% from RMB6.5 million for the year ended 31 December 2023 to RMB6.1 million for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Research and development costs" in this section.

Other gains and losses

Other gains and losses increased by RMB0.4 million or 57.1% from RMB0.7 million for the year ended 31 December 2023 to RMB1.1 million for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Other gains and losses" in this section.

Selling expenses

Selling expenses increased by RMB1.1 million or 22.4% from RMB4.9 million for year ended 31 December 2023 to RMB6.0 million for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Selling expenses" in this section.

General and administrative expenses

General and administrative expenses slightly decreased by RMB0.1 million or 0.8% from RMB12.3 million for the year ended 31 December 2023 to RMB12.2 million for the year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – General and administrative expenses" in this section.

Provision for impairment losses on financial assets and contract assets

Provision for impairment losses on financial assets and contract assets increased by RMB0.6 million or 50.0% from RMB1.2 million for the year ended 31 December 2023 to RMB1.8 million for year ended 31 December 2024. For a detailed discussion on the reasons of the fluctuations, see "– Principal components of results of operations – Provision for impairment losses on financial assets and contract assets" in this section.

Finance income

Our finance income only consists of interest income from bank deposits. Our finance income decreased from RMB0.6 million in 2023 to RMB0.3 million in 2024. Such decrease was in line with the balance of our bank deposits for the years ended 31 December 2023 and 2024, respectively.

Finance costs

Our finance costs included interest on lease liabilities and interest on bank loans. Our interest on lease liabilities decreased by RMB25,000 or 15.1% from RMB0.2 million for the year ended 31 December 2023 to RMB0.1 million for the year ended 31 December 2024. For more details, see "– Principal components of results of operations – Finance costs" in this section.

Income tax

Income tax reduced by RMB0.6 million or 19.4% from RMB3.1 million for the year ended 31 December 2023 to RMB2.5 million for the year ended 31 December 2024. The reduction was mainly due to the decrease in our profit before taxation for the year ended 31 December 2024 compared to that for the year ended 31 December 2023.

Profit for the year

As a result of the foregoing, our net profit reduced by RMB3.6 million or 14.3% from RMB25.2 million for the year ended 31 December 2023 to RMB21.6 million for the year ended 31 December 2024.

DISCUSSION OF MAJOR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	55,773	55,821	53,493
Right-of-use assets	19,436	18,168	16,901
Intangible assets	47	24	–
Deferred tax assets	620	916	1,284
Other non-current assets	55	–	41
	75,931	74,929	71,719
Current assets			
Inventories	9,151	11,096	13,440
Contract assets	458	4,350	898
Trade and bills receivables	36,810	43,292	56,082
Prepayments, deposits and other receivables	1,947	2,360	8,912
Financial assets measured at fair value through profit or loss ("**FVPL**")	200	–	–
Cash and cash equivalents	36,675	36,556	33,124
	85,241	97,654	112,456
Current liabilities			
Trade payables	8,944	7,742	9,029
Bank and other borrowings	7,607	–	130
Accrued expenses and other payables	10,526	9,980	9,936
Contract liabilities	3,051	3,582	4,762
Lease liabilities	754	883	927
Current taxation	3,273	2,736	1,983
	34,155	24,923	26,767
Non-current liabilities			
Deferred tax liabilities	457	359	–
Lease liabilities	2,782	1,899	972
	3,239	2,258	972
TOTAL EQUITY			
Share capital	43,400	43,400	43,400
Reserves	80,378	102,002	113,036
	123,778	145,402	156,436

Our current assets mainly consist of (i) inventories, (ii) contract assets, (iii) trade and bills receivables, (iv) prepayments, deposits and other receivables, (v) financial assets measured at FVPL, and (vi) cash and cash equivalents, which amounted to RMB85.2 million as of 31 December 2023, RMB97.7 million as of 31 December 2024 and RMB112.5 million as of 31 December 2025, respectively. Our current liabilities mainly consist of (i) trade payables, (ii) bank and other borrowings, (iii) accrued expenses and other payables, (iv) contract liabilities, (v) lease liabilities, and (vi) current taxation, which amounted to RMB34.2 million as of 31 December 2023, RMB24.9 million as of 31 December 2024 and RMB26.8 million as of 31 December 2025, respectively.

Our Directors confirm that we had no default or delay in payment of trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period that would have a material impact on our business, financial condition and results of operations. We will keep on monitoring liquidity requirements on a regular basis to ensure that sufficient working capital is maintained.

Our net assets increased from RMB123.8 million as of 31 December 2023 to RMB145.4 million as of 31 December 2024, which was primarily due to our net profit of RMB21.6 million for the year ended 31 December 2024. Whereas, our net assets increased from RMB145.4 million as of 31 December 2024 to RMB156.4 million as of 31 December 2025, which was due to our net profit of RMB24.1 million for the year ended 31 December 2025, and the dividend in cash in the amount of RMB13.0 million declared in May 2025.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of plant and buildings, machinery and equipment, vehicles, electronic, mold, constructions in progress. The net book amounts of our property, plant and equipment amounted to RMB55.8 million, RMB55.8 million and RMB53.5 million as of 31 December 2023, 2024 and 2025, respectively. The slight difference between the year ended 31 December 2024 and 2023, was primarily due to the increase in asset acquisitions or construction being offset by the routine depreciation cost, while the decrease for the year ended 31 December 2025, was mainly attributable to the routine depreciation cost.

The following table sets forth the details of our property, plant and equipment as of the dates indicated.

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Plant and buildings	33,724	32,352	30,982
Machinery and equipment	17,307	17,408	16,325
Vehicles	1,250	1,369	950
Electronic devices	24	11	3
Mold	3,357	4,681	5,233
Constructions in progress	111	–	–
Total	55,773	55,821	53,493

Right-of-use assets

Our right-of-use assets comprised of leased assets including properties leased for own use and land use rights. Our right-of-use assets decreased by 6.2% from RMB19.4 million as of 31 December 2023 to RMB18.2 million as of 31 December 2024, and further decreased to

RMB16.9 million as of 31 December 2025. The right-of-use asset is depreciated over the lease term, resulting in a decreasing carrying value.

Intangible assets

Our intangible assets primarily consist of patents and software licenses. Our intangible assets decreased by 48.9% from RMB47,000 as of 31 December 2023 to RMB24,000 as of 31 December 2024, and further decreased by RMB24,000 or 100% to nil as of 31 December 2025, such decline was attributable by normal amortization.

Deferred tax assets

Our deferred tax assets increased from RMB0.6 million as of 31 December 2023 to RMB0.9 million as of 31 December 2024, and subsequently increased to RMB1.3 million as of 31 December 2025, respectively, such fluctuation in our deferred tax assets was attributable to the following factors: (i) recognition of asset impairment provisions, (ii) differences in the depreciation period of fixed assets to the corresponding period prescribed by taxation regulations and (iii) adjustment in the valuation of lease liabilities and taxation regulations.

Other non-current assets

Our other non-current assets mainly comprise our paid deposits for the purchase of machinery and equipment. Our other non-current assets decreased from RMB55,000 as of 31 December 2023 to nil as of 31 December 2024, such decrease was mainly attributable to the prepaid payment made in 2023 to purchase the equipment being received by us in 2024. Our other non-current assets increased from nil as of 31 December 2024 to RMB41,000 as of 31 December 2025, such increase was mainly attributable to the deposit payment made in 2025 to purchase equipment to be received by us in 2026.

Inventories

During the Track Record Period, our inventories consisted of (i) raw materials, (ii) work in progress, (iii) finished goods and (iv) goods in transit. As of 31 December 2023, 2024 and 2025, we had inventories of RMB9.2 million, RMB11.1 million and RMB13.4 million, respectively. The increase in our inventory balance from RMB9.2 million as of 31 December 2023 to RMB11.1 million as of 31 December 2024 was primarily due to our advance production for Customer A, a state-owned enterprise in Shanxi Province. Such arrangement enables us to provide prompt delivery services upon receipt of the delivery request from Customer A since 2024. The subsequent increase in our inventories to RMB13.4 million as of 31 December 2025 was due to (i) outstanding purchase orders from Customer A which had not yet been dispatched as of year-end, as the downstream highway tunnel construction projects remained uncompleted; and (ii) our strategic accumulation of finished goods to fulfill existing sales orders, certain of which remained unshipped as of 31 December 2025.

During the Track Record Period, a write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves our judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. We, pursuant to the accounting policy for inventories, write down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. Inventories are reviewed semi-yearly for write-down, if appropriate. We re-estimate the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period. As of 31 December 2023, 2024 and 2025, we recorded write-down of RMB0.3 million, RMB0.8 million, and RMB1.5 million, respectively, for finished goods aged more than one year, which was generally in line with the changes in our inventory balance for the corresponding period.

The following table sets forth the breakdown of our inventory balances as of the dates indicated:

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,306	3,257	4,114
Work in progress	442	168	163
Finished goods	5,607	8,400	10,087
Goods in transit	123	43	593
Less: write-down of inventories	(327)	(772)	(1,517)
Total	9,151	11,096	13,440

For the years ended 31 December 2023, 2024 and 2025, the average inventory turnover days (divided by cost of sales) are 37.7 days, 44.6 days and 49.7 days, respectively . The fluctuations in our inventory turnover days during the same periods were primarily attributable to the aforementioned factors – namely, our strategic pre-production arrangements and the year-end accumulation of finished goods awaiting dispatch per customers' instructions. Our Directors consider that there is no material increase in the risk of inventory obsolescence having regard to (i) our raw material and products are durable materials that do not become obsolete or deteriorate over time and, if properly stored, generally have no fixed expiry period and (ii) our continuous monitoring of inventory aging and turnover, and reviews of production and procurement plans.

The following table sets out inventory turnover day at the end of each reporting year:

	For the year ended 31 December		
	2023	**2024**	**2025**
Inventory turnover day[(1)]	37.7	44.6	49.7

Note:

(1) Average inventory turnover day is the average of the beginning and ending balance of inventory for the year divided by cost of sales for the year and multiplied by the number of days for the year.

The following table sets out inventory ageing analysis at the end of each reporting year and Latest Practicable Date:

	As of 31 December			As of the Latest Practicable Date
	2023	2024	2025	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	6,850	5,998	7,555	9,003
91–180 days	449	2,548	914	573
181–365 days	745	1,325	687	1,113
Over 1 year	1,434	1,997	5,802	6,233
Total	9,478	11,868	14,957	16,922

The substantial increase in the balance of inventories aged over one year as of 31 December 2025 was primarily attributable to the delayed delivery to Customer A and Customer F. Specifically, RMB3.0 million of the RMB3.8 million increase stemmed from outstanding purchase orders for these customers, due to suspension of certain of their project. We have maintained active communication with Customer A and Customer F to monitor the project status and remain prepared to dispatch the goods promptly once the construction sites are ready for installation. Based on the specific project-driven nature of these inventories and the ongoing relationship with the customer, we consider the risk of obsolescence to be manageable.

We have implemented an inventory policy to ensure an adequate supply of the raw materials such as unsaturated polyester resin, low-shrinkage additives, cast iron frameworks, and threaded steel bars we need for our production to avoid stockouts and ensure timely delivery to customers. This policy takes into account the demand for our trench cover products, our planned production capacity, sales forecasts and lead times for raw materials and finished goods. Our Directors also review the recoverability of our inventories as of the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. No provision was made for our raw materials during the Track Record Period as our Directors consider that there is no material recoverability issue for the Group's inventories in terms of raw materials, given that (i) our raw materials for our trench cover products are inherently and indispensable, and (ii) the substantial part of our raw materials are by their nature not subject to any expiry dates. As of 31 December 2023, 2024 and 2025, finished goods that aged more than one year recorded write-down of RMB0.3 million, RMB0.8 million and RMB1.5 million.

As of 30 April 2026, RMB6.6 million or 44.0% of our inventory as of 31 December 2025 were subsequently utilised.

Contract assets

Contract assets represented unbilled revenue for which the customer had received the product and we had the right to receive consideration for goods sold but not yet billed because the rights are conditional upon the satisfaction by the customers. The fluctuation of contract assets amounting RMB0.4 million, RMB4.4 million, and RMB0.9 million as of 31 December 2023, 2024 and 2025, respectively, was due to the time interval between the delivery of products by our Company and the certification of products by our customers. The following table sets forth the movement of our contract assets as of the dates indicated:

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	482	4,603	961
Less: allowance for doubtful debts	(24)	(253)	(63)
Total	458	4,350	898

Trade and bills receivables

Our trade and bills receivables mainly represent amount due from our customers. During the Track Record Period, our trade and bills receivables increased from RMB36.8 million as of 31 December 2023 to RMB56.1 million as of 31 December 2025.

The following table sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	5,841	2,037	6,295
Trade receivables	33,367	44,892	56,829
Less: allowance for doubtful debts	(2,398)	(3,637)	(7,042)
Total	36,810	43,292	56,082

Our trade and bills receivables increased by RMB6.5 million as of 31 December 2024 and further increased by RMB12.8 million as of 31 December 2025. The increase in our trade and bills receivable as of 31 December 2025 was primarily due to the slow collection of trade receivables from certain enterprise customers and certain portion of the amounts due from our customers were scheduled to be settled in the last quarter in 2025, and were in fact settled in the first quarter of 2026.

During the Track Record Period, the credit loss allowance for trade and bills receivables and contract assets is based on assumptions about the expected loss rates. We use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period. We recorded credit loss allowance for trade and bills receivables of RMB2.4 million, RMB3.6 million and RMB7.0 million as of 31 December 2023, 2024 and 2025, respectively. The increase in credit loss allowance as of 31 December 2025 compared to 31 December 2024 was primarily attributable to the increase in our trade and bills receivables aged between 1 to 2 years, 2 to 3 years and over 3 years as a result of the slow collection of trade

receivables from customers, which are state-owned enterprises and large-scale construction and engineering enterprises. In particular, amid the economic downturn in recent years, some state-owned customers experienced delays in payment due to factors such as delay in payment from their project owner or end customer, delay in project progress, internal fund allocation, and approval procedures, which led to an increase in trade and bills receivable balance at period end. Of our total credit loss allowance as of 31 December 2025, RMB0.9 million was attributable to Customer A, which increased from RMB0.8 million as of 31 December 2024. Other than Customer A, we did not record any material credit loss allowance for our top five customers as of 31 December 2025.

During the Track Record Period, we did not have material recoverability issue for trade and bills receivables. We have been constantly evaluating the financial and credit strength of our major customers and believe they have the ability to fulfil their payment obligations. We periodically make collective assessment on the recoverability of trade and bills receivables and will consider issuing demand letter to the relevant party on a case-by-case basis. We are of the view that, based on the overall quality and credit strength of our customers, we have made sufficient provisions and do not foresee any recoverability issue for our trade and bills receivables.

As of 31 December 2023, 2024 and 2025, our average trade and bills receivables turnover days was 71.1 days, 120.1 days and 139.8 days, respectively, which was in line with the credit period we generally grant to our customers in maximum of 360 days. Such continuing increase in our trade and bills receivable turnover days was mainly caused by the general increase in trade and bill receivables attributable to slow collection of trade receivables from certain enterprise customers amid the economy downturn in recent years resulting a relatively prolonged payment cycle of our certain direct customers including state-owned enterprises and large-scaled construction and engineering enterprises. In particular, some state-owned customers experienced delays in payment due to factors such as delay in payment from their project owner or end customer, delay in project progress, internal fund allocation, and approval procedures, which led to an increase in our accounts receivable balance at period end.

The following table sets out the trading and bills receivables turnover days at the end of each reporting year:

	As of 31 December		
	2023	**2024**	**2025**
Trade and bills receivables turnover days[(1)]	71.1	120.1	139.8

Note:

(1) Average trade and bills receivables turnover days is the average of the beginning and ending balance of trade receivables for the year divided by revenue for the year and multiplied by the number of days for the year.

The following table sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	33,729	30,192	32,325
State-owned customers	27,380	24,029	17,844
Non-state-owned customers	6,349	6,163	14,481
1 to 2 years	2,872	11,178	19,305
State-owned customers	2,328	8,618	16,280
Non-state-owned customers	544	2,560	3,025
2 to 3 years	209	1,922	4,452
State-owned customers	177	1,452	3,180
Non-state-owned customers	32	470	1,272
Total	36,810	43,292	56,082

The increase in our trade and bills receivables aged one year to three years were primarily attributable to the slow collection of trade receivables from certain enterprise customers. In particular, some state-owned customers experienced delays in payment due to factors such as delay in payment from their project owner or end customer, delay in project progress, internal fund allocation, and approval procedures, which led to an increase in our accounts receivable balance at period end.

As of 30 April 2026, RMB23.1 million or 41.2% of our trade and bills receivables as of 31 December 2025 were settled.

Our Directors are of the view that there are no material recoverability issues and sufficient provisions have been made for the remaining trade and bills receivables due to the following reasons:

- Customer creditworthiness: The majority of our trade and bills receivables are attributable to state-owned enterprises and listed companies. These entities generally have good creditworthiness, with no material defaults recorded during the Track Record Period. According to Frost & Sullivan, the financial strength and reliability of state-owned enterprises and listed companies, combined with an average settlement period, is consistent with industry norms, which supports the recoverability of these receivables. While extended credit cycles may lengthen turnover days, these are typical for customers of this nature.

- Low exposure to disputes: As of the 30 April 2026, there were no material disputes, claims or legal proceedings regarding unsettled accounts receivable.

Considering the foregoing and based on the independent due diligence work performed by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that would cast reasonable doubt on the views of the Directors on material aspects.

To mitigate delays in collecting trade and bills receivables, we have implemented a range of targeted measures to address the root causes of payment delays and improve receivables management efficiency:

- Enhanced Customer Communication: We have assigned dedicated account managers to major customers to maintain regular communication, address potential payment issues proactively, and expedite internal approval processes. Scheduled meetings are held to resolve procedural bottlenecks, such as delays caused by documentation errors or internal hierarchies on the customer's end.

- Optimized Credit Terms: Based on regular risk assessments, we have implemented stricter payment terms for higher-risk customers, such as requiring upfront deposits or shorter payment intervals.

- Streamlined Invoicing, Payment and Collection Processes: We have digitized and automated invoice preparation to ensure prompt and accurate issuance of invoice, minimizing manual errors and reducing delays. Additionally, our receivables management team conducts weekly reviews of overdue accounts, prioritizing high-value or long-overdue balances.

- Strengthened Risk Management: We have enhanced our Know Your Customer (KYC) and credit evaluation processes to thoroughly assess new customers' financial standing, payment history, and creditworthiness. For existing customers, periodic reviews are conducted to identify emerging risks and take preemptive measures.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables increased by 21.2% from RMB2.0 million as of 31 December 2023, to RMB2.4 million as of 31 December 2024. Our prepayments, deposits and other receivables further increased by 270.8% to RMB8.9 million, such increase was mainly attributable to the increase in **[REDACTED]** fees.

In particular, our advances to suppliers decreased by 62.1% from RMB0.6 million as of the year ended 31 December 2023, to RMB0.2 million as of the year ended 31 December 2024 and subsequently increased to RMB0.4 million as of 31 December 2025. Such fluctuation was mainly attributable to the fact that in 2023 and 2025, we made prepayment to our certain suppliers of raw materials to lock their selling price offered to us for certain purchases of raw materials by us.

Financial assets measured at fair value through profit or loss

Our financial assets measured at fair value through profit or loss was RMB0.2 million, nil, nil as of 31 December 2023, 2024 and 2025. As of the Latest Practicable Date, our financial assets measured at fair value through profit or loss further increased to RMB16.0 million, which mainly attributable to our purchase of wealth management products offered by banks.

We believe we can make better use of our cash by making appropriate investments in wealth management products of low-to-medium risk, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit, potential loss of the investment and obtaining approval from the board and the shareholders' meeting. We have established a set of internal measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to investment risks. We will comply with requirements under Chapter 19 of the GEM Listing Rules

and disclose the details of our investments and other notifiable transactions to the extent necessary and as appropriate after the **[REDACTED]**.

Cash and cash equivalents

Our cash and cash equivalents primarily consisted of cash at bank. As of 31 December 2023, 2024 and 2025, we had cash and cash equivalents of RMB36.7 million, RMB36.6 million and RMB33.1 million, respectively.

Trade payables

Our trade payables amounted to RMB8.9 million, RMB7.7 million and RMB9.0 million as of 31 December 2023, 2024 and 2025, respectively. The following table sets forth an aging analysis of the trade payables, based on the transaction date as of the dates indicated.

	As of 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	8,909	5,829	8,985
Over 1 year	35	1,913	44
Total	8,944	7,742	9,029

During the Track Record Period, all of our trade payables were expected to be settled within one year or are repayable on demand.

We calculate our trade payables turnover days by dividing the average of opening and closing balances of trade payables for the relevant period by cost of sales for the same period, multiplied by the number of calendar days in the relevant period. The following table sets forth our trade payables turnover days for the periods indicated.

	As of 31 December		
	2023	**2024**	**2025**
Trade payables turnover days[(1)]	23.4	37.2	34.5

Note:

(1) Average trade payables turnover days is the average of the beginning and ending balance of trade payables for the year divided by revenue for the year and multiplied by the number of days for the year.

Our average trade payables turnover days increased from 23.4 days in 2023 to 37.2 days in 2024 and decreased to 34.5 days in 2025. Our trade payable turnover days were in line with the credit period granted by our suppliers to us in maximum of 60 days.

As of 30 April 2026, RMB8.9 million or 98.6% of our trade payables as of 31 December 2025 were settled.

Accrued expenses and other payables

Accrued expenses and other payables mainly comprise (i) accrued payroll and benefits; (ii) other tax payables; and (iii) others, which primarily consisted of liabilities associated with endorsed but unmatured bills receivable with recourse.

The following table sets out the components of our other payables and accruals as of the dates indicated:

	As of 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Accrued payroll and benefits	4,447	4,071	4,324
Other tax payables	3,581	4,413	1,316
Others	2,498	1,496	4,296
Total	10,526	9,980	9,936

We had accrued expenses and other payables of RMB10.5 million, RMB10.0 million, and RMB9.9 million as of 31 December 2023, 2024, and 2025, respectively. Our accrued payroll benefits decreased from RMB4.4 million as of 31 December 2023 to RMB4.1 million as of 31 December 2024, primarily due to the decrease in year-end bonus payables to our employees. The increase from RMB4.1 million as of 31 December 2024 to RMB4.3 million as of 31 December 2025 was primarily due to the increase in year-end bonus payables to our employees, which was consistent with our revenue growth.

Our other tax payables increased from RMB3.6 million as of 31 December 2023 to RMB4.4 million as of 31 December 2024, primarily due to the accrual of estimated VAT output tax at year-end. Our other tax payables decreased from RMB4.4 million as of 31 December 2024 to RMB1.3 million as of 31 December 2025, primarily due to the timely recognition and settlement of estimated VAT output tax on a monthly basis, which reduced the accumulation at year-end.

Contract liabilities

Our contract liabilities primarily represent the advance payments from our customers. We had contract liabilities of RMB3.1 million, RMB3.6 million, and RMB4.8 million as of 31 December 2023, 2024 and 2025, respectively. Our contract liabilities increased during the Track Record Period, which was due to the increase in purchase orders from our customers with the increase of corresponding deposits paid for our products.

Lease liabilities

Our lease liabilities primarily arose from lease contracts for office premises and plant used in our operations. Our total lease liabilities amounted to RMB3.5 million, RMB2.8 million, and RMB1.9 million as of 31 December 2023, 2024 and 2025, respectively. Such continuing decrease in lease liabilities during the Track Record Period was due to the payment of lease rentals.

The following table sets forth the details of our lease liabilities as of the dates indicated.

	As of 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	754	883	927
1 to 2 years	883	927	972
2 to 3 years	1,899	972	–
Total	3,536	2,782	1,899

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of 31 December			As of 30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	9,151	11,096	13,440	12,769
Contract assets	458	4,350	898	909
Trade and bills receivables	36,810	43,292	56,082	42,187
Prepayments, deposits and other receivables	1,947	2,360	8,912	9,763
Financial assets measured at fair value through profit or loss	200	–	–	11,000
Cash and cash equivalents	36,675	36,556	33,124	13,277
	85,241	97,654	112,456	89,905
Current liabilities				
Trade payables	8,944	7,742	9,029	3,779
Bank and other borrowings	7,607	–	130	4,003
Accrued expenses and other payables	10,526	9,980	9,936	4,176
Contract liabilities	3,051	3,582	4,762	3,821
Lease liabilities	754	883	927	941
Current taxation	3,273	2,736	1,983	1,015
	34,155	24,923	26,767	17,735
Net current assets	51,086	72,731	85,689	72,170

Our net current assets increased from RMB51.1 million as of 31 December 2023 to RMB72.7 million as of 31 December 2024, primarily due to (i) an increase in inventories of RMB1.9 million, primarily attributable to finished goods completed but pending delivery to Customer A; (ii) an increase in contract assets of RMB3.9 million, primarily attributable to the time interval between the delivery of products by our Company and the certification of products by our customers; (iii) a decrease in bank and other borrowings of RMB7.6 million resulting from our proactive repayment using internal cash resources to optimize our capital structure; (iv) a decrease in current taxation of RMB0.5 million; (v) a decrease in trade payables of RMB1.2 million as a result of the settlement of payments to our suppliers; and (vi) an increase in trade and bills receivables of RMB6.5 million, primarily attributable to the slow collection of trade receivables from certain enterprise customers. These were partially offset by an increase in contract liabilities of RMB0.5 million.

Our net current assets increased from RMB72.7 million as of 31 December 2024 to RMB85.7 million as of 31 December 2025, primarily due to (i) an increase in inventories of RMB2.3 million to fulfill the growth in purchase orders for subsequent sales; (ii) an increase in trade and bills receivables of RMB12.8 million, primarily attributable to the slow collection of

trade receivables from certain enterprises customers; (iii) an increase in prepayments, deposits, and other receivables of RMB6.5 million, which was primarily attributable to prepayments made to certain raw material suppliers to lock in favorable purchase prices and ensure a stable supply for our upcoming production schedules; and (iv) a decrease in current taxation of RMB0.7 million. These were partially offset by (i) a decrease in contract assets of RMB3.5 million, primarily attributable to the delivery and formal acceptance of the relevant products by our customers; (ii) a decrease in cash and cash equivalents of RMB3.5 million as a result of dividend payments; (iii) an increase in trade payables of RMB1.3 million which was in line with our revenue growth and the corresponding increase in the procurement of raw materials to support our expanded production volume; and (iv) an increase in contract liabilities of RMB1.2 million.

Our net current assets decreased from RMB85.7 million as of 31 December 2025 to RMB72.2 million as of 30 April 2026, primarily due to (i) a decrease in trade and bills receivables of RMB13.9 million, primarily attributable to settlement of outstanding balances by our customers prior to the Chinese New Year holiday; (ii) a decrease in cash and cash equivalents of RMB19.8 million, primarily attributable to the subscription of wealth management products. These were partially offset by (i) a decrease in trade payables of RMB5.3 million, primarily attributable to the timely settlement of outstanding balances with our suppliers in accordance with the credit terms; (ii) a decrease in accrued expenses and other payables of RMB5.8 million, primarily attributable to the settlement of bonus payables to our employees; (iii) a decrease in contract liabilities of RMB0.9 million, primarily attributable to the recognition of revenue upon the delivery of products to customers; and (iv) an increase in financial assets measured at fair value through profit or loss of RMB11.4 million, primarily attributable to subscription of wealth management products subscribed by us.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows, and bank and other borrowings. Our Directors believe that in the long term, our operations will be funded primarily by cash generated from operations and bank and other borrowings, the **[REDACTED]** from the **[REDACTED]** and, if necessary, additional equity financing when the needs come.

LIQUIDITY AND CAPITAL STRUCTURE

Overview

During the Track Record Period, our Group's operations were generally funded through cash generation from our operations and bank borrowings. Our Directors believe that in the long run and after the **[REDACTED]**, our operations will continue to be funded by cash generated from our operations and bank borrowings.

Cash flow of our Group

The following table sets forth the movement of our cash for the year indicated:

	For the year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	9,558	13,828	22,574
Net cash used in investing activities	(7,129)	(5,198)	(5,545)
Net cash used in financing activities	(15,257)	(8,749)	(20,461)
Net decrease in cash and cash equivalents	(12,828)	(119)	(3,432)
Cash and cash equivalents at 1 January	49,503	36,675	36,556
Cash and cash equivalents at 31 December	36,675	36,556	33,124

Net cash generated from operating activities

During the Track Record Period, the cash inflow from operating activities was mainly derived from receipt of payments from our customers for the provision of our trench cover products. Our cash outflows for our operating activities were principally attributable from the procurement payments to our suppliers.

For the year ended 31 December 2023, we had net cash flows from operating activities of RMB9.6 million. This net cash inflow was primarily due to (i) profit before tax of RMB28.3 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB4.3 million, depreciation of right-of-use assets of RMB1.3 million, amortization of intangible assets of RMB23,000, and finance costs of RMB0.6 million; and (ii) an increase in inventories of RMB1.8 million; an increase in contract assets of RMB0.5 million; an increase in trade and bills receivables of RMB23.8 million; an increase in trade and bills payables of RMB4.0 million; a decrease in accrued expenses and other payables of RMB1.2 million; an increase in contract liabilities of RMB0.2 million.

For the year ended 31 December 2024, we had net cash flows from operating activities of RMB13.8 million. This net cash inflow was primarily due to (i) profit before tax of RMB24.1 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB5.4 million, depreciation of right-of-use assets of RMB1.3 million, amortization of intangible assets of RMB23,000, and finance costs of RMB0.3 million; and (ii) an increase in inventories of RMB3.9 million; an increase in contract assets of RMB3.9 million; an increase in trade and bills receivables of RMB6.4 million; an increase in trade and bills payables of RMB0.3 million; an increase in accrued expenses and other payables of RMB33,000; an increase in contract liabilities of RMB0.5 million.

For the year ended 31 December 2025, we had net cash flows from operating activities of RMB22.6 million. This net cash inflow was primarily due to (i) profit before tax of RMB26.8 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB5.8 million, depreciation of right-of-use assets of RMB1.3 million, amortization of intangible assets of RMB24,000, and finance costs of RMB0.1 million; and (ii) an increase in inventories of RMB2.4 million; a decrease in contract assets of RMB3.5 million; an increase in trade and bills receivables of RMB13.8 million; an increase in trade and bills payables of RMB2.9 million; an increase in accrued expenses and other payables of RMB1.4 million; an increase in contract liabilities of RMB1.2 million.

Net cash used in investing activities

For the year ended 31 December 2023, we had net cash used in investing activities of RMB7.1 million. Cash had primarily been spent on the purchase of property, plant, and equipment, intangible assets and other non-current assets, amounting to RMB12.9 million. Whereas, we recorded cash flow from (i) the redemption of principal of financial assets measured at FVPL amounting to RMB3.9 million, and (ii) the repayments received from a shareholder amounting to RMB1.8 million.

For the year ended 31 December 2024, we had net cash used in investing activities of RMB5.2 million. Cash had primarily been spent on the purchase of property, plant, and equipment, intangible assets and other non-current assets amounting to RMB5.5 million, and purchase of wealth management products offered by banks amounting to RMB18.5 million.

For the year ended 31 December 2025, we had net cash used in investing activities of RMB5.5 million. Cash had primarily been spent on the purchase of property, plant, and equipment, intangible assets and other non-current assets amounting to RMB5.7 million. Whereas, this was partially offset by cash flow derived from investment income from financial assets measured at FVPL.

Net cash used in financing activities

During the Track Record Period, our cash used in financing activities was mainly derived from bank borrowings.

For the year ended 31 December 2023, we recorded net cash used in financing activities of RMB15.3 million. Cash flow from financing activities was positively affected by proceeds from bank and other borrowings amounting to RMB25.3 million; and negatively affected by repayment of bank borrowings amounting to RMB39.1 million.

For the year ended 31 December 2024, we recorded net cash used in financing activities of RMB8.8 million. Cash flow from financing activities was positively affected by proceeds from bank and other borrowings amounting to RMB2.4 million; and negatively affected by repayment of bank borrowings amounting to RMB10.0 million.

For the year ended 31 December 2025, we recorded net cash used in financing activities of RMB20.5 million. Cash flow from financing activities was positively affected by proceeds from bank and other borrowings amounting to RMB6.2 million; and negatively affected by repayment of bank borrowings amounting to RMB5.0 million and dividends paid amounting to RMB13.0 million and payments of **[REDACTED]** amounting to RMB**[REDACTED]**.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources presently available to us, including our cash and cash equivalents, cash generated from our operating activities, banking facilities and the estimated **[REDACTED]** from **[REDACTED]**, our Directors confirm that we have sufficient working capital at least for the next 12 months from the date of this document.

Capital expenditure

Our capital expenditures during the Track Record Period are primarily related to payment for purchase of property, plant and equipment, intangible assets and other non-current assets in our Company for our continued expansion plan. Our capital expenditures were RMB12.9 million, RMB5.5 million and RMB5.7 million in 2023, 2024 and 2025, respectively. We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for purchase of property, plant and equipment. We funded our capital expenditure requirements during the Track Record Period mainly from a combination of cash generated from

our operating and financing activities. We plan to fund our planned capital expenditures by using our cash and cash equivalents and cash flow generated from our operations and the **[REDACTED]** received from the **[REDACTED]**.

INDEBTEDNESS

Our indebtedness primarily consisted of (i) bank and other borrowings, and (ii) lease liabilities. The following table sets out our Group's indebtedness material as of the respective dates.

	As of 31 December			As of 30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current liabilities				
Bank and other borrowings	7,607	–	130	4,003
Lease liabilities	754	883	927	941
Non-current liabilities				
Lease liabilities	2,782	1,899	972	738
Total	11,143	2,782	2,029	5,682

Bank and other borrowings

The following table sets forth the amounts of bank and other borrowing as of the indicated dates:

	As of 31 December			As of 30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank borrowings – Unsecured and guaranteed	7,607	–	–	3,000
Other borrowings – secured and unguaranteed[(1)]	–	–	130	1,003
Total	7,607	–	130	4,003

Note:

(1) Other borrowings consists of liabilities associated with endorsed but unmatured bills receivable with recourse.

Bank borrowings carried variable interest at 1.7% to 6.4% per annum during the Track Record Period. The weighted average effective interest rate on bank borrowings as of 31 December 2023, 2024 and 2025 was 3.5% per annum, 3.0% per annum and 2.5% per annum, respectively. We consider these interest rates to be within the range of market interest rates. We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans.

As of the Latest Practicable Date, we had unutilised banking facilities of RMB6.5 million.

The following table sets forth an analysis of the repayment schedule of bank loans as of the dates indicated.

	As of 31 December			As of 30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within 1 year	7,607	–	130	4,003
Total	7,607	–	130	4,003

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining bank and other borrowings.

Lease liabilities

Our lease liabilities primarily arose from lease contracts for office premises and plant used in our operations. Our total lease liabilities (including current and non-current lease liabilities) amounted to RMB3.5 million, RMB2.8 million, RMB1.9 million and RMB1.7 million as of 31 December 2023 and 2024, 2025 and 30 April 2026, respectively.

The total lease liabilities decreased from RMB3.5 million as of 31 December 2023 to RMB2.8 million as of 31 December 2024, and further decreased from RMB1.9 million as of 31 December 2025 to RMB1.7 million as of 30 April 2026, primarily in line with the outstanding amount under relevant lease agreement entered into by us.

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of 30 April 2026, we did not have any 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 material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 30 April 2026 and up to the date of this document.

Financial covenants and repayment

We are subject to certain restrictive covenants under the terms of our bank loans, which are commonly found in loan arrangements with financial institutions in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds and pledged assets related to the bank loans, and our ability to engage in change-in-control transactions, make long-term investments, transfer indebtedness, sell, transfer or otherwise dispose of assets related to the loans, and reduce our working capital. Furthermore, some of our bank borrowings are subject to the fulfillment of covenants relating to certain of our financial ratios, as are commonly found in loan arrangements with financial institutions. See "Risk Factors – Risks Relating to Our Business and Industry – Failure to retain our existing customers or attract new ones could materially and adversely affect our business, financial condition and results of operations".

Our Directors confirm that we did not have any material delay or default in repayment of bank loans, and did not breach any material covenants in relation to the bank loans mentioned above in all material aspects, during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

KEY FINANCIAL RATIOS

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

	As of/For the year ended 31 December		
	2023	**2024**	**2025**
Gross profit margin[(1)]	38.2%	37.5%	38.2%
Net profit margin[(2)]	18.4%	16.5%	16.7%
Current ratio[(3)]	2.5	3.9	4.2
Quick ratio[(4)]	2.2	3.5	3.7
Return on total assets[(5)]	15.6%	12.5%	13.1%
Return on equity[(6)]	20.4%	14.9%	15.4%
Gearing ratio[(7)]	30.2%	18.7%	17.7%
Cash conversion cycle[(8)] (days)	85.4	127.5	155.1

Notes:

(1) Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.

(2) Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

(3) Current ratio is calculated by dividing total current assets by total current liabilities as of the end of the period.

(4) Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities as of the end of the period.

(5) Return on assets is calculated by dividing profit for the year by total assets as of the end of the period and multiplying the resulting value by 100%.

(6) Return on equity is calculated by dividing profit for the year by total equity as of the end of the period and multiplying the resulting value by 100%.

(7) Gearing ratio is calculated by dividing total debts by total equity as of the end of the period.

(8) Cash conversion cycle equals inventory turnover days, plus trade and bills receivables turnover days, minus trade payable turnover days.

Gross profit margin

Our gross profit margin decreased from 38.2% for the year ended 31 December 2023 to 37.5% for the year ended 31 December 2024 and further increased to 38.2% for the year ended 31 December 2025. For a discussion of the factors affecting our gross profit margin, see "– Period-to-period comparison of results of operations – Gross profit and gross profit margin" in this section.

Net profit margin

Our net profit margin reduced from 18.4% for the year ended 31 December 2023 to 16.5% for the year ended 31 December 2024 and subsequently increased to 16.7% for the year ended 31 December 2025. For a discussion of the factors affecting our net profit margin, see "– Period-to-period comparison of results of operations – Profit for the period" in this section.

Current ratio

Our current ratio as of 31 December 2023, 2024 and 2025 was 2.5 times, 3.9 times and 4.2 times, respectively. For a discussion of the factors affecting our current ratio, see "– Net Current Assets" in this section.

Quick ratio

Our quick ratio as of 31 December 2023, 2024 and 2025 was 2.2 times, 3.5 times and 3.7 times, respectively. Such fluctuation generally aligns with the increase in current ratio over the respective period.

Gearing ratio

Our gearing ratio reduced from 30.2% as of 31 December 2023 to 18.7% as of 31 December 2024 and further to 17.7% as of 31 December 2025. The decrease for the year ended 31 December 2024 was primarily due to our efforts to reduce our debt scale. The decrease for the year ended 31 December 2025 was mainly attributable to the increase in our total equity resulting from the net profit generated in 2025.

Return on equity

Our return on equity reduced from 20.4% as of 31 December 2023 to 14.9% as of 31 December 2024. Such decrease was mainly attributable to the decrease of net profit in 2024.

Our return on equity increased from 14.9% as of 31 December 2024 to 15.4% as of 31 December 2025. Such increase was mainly attributable to the increase of net profit in 2025.

Return on total assets

Our return on total assets reduced from 15.6% as of 31 December 2023 to 12.5% as of 31 December 2024. Such decrease was mainly attributable to the decrease of net profit in 2024.

Our return on total assets increased from 12.5% as of 31 December 2024 to 13.1% as of 31 December 2025. Such increase was mainly attributable to the increase of net profit in 2025.

Cash conversion cycle

Our cash conversion cycle significantly increased from 85.4 days as of 31 December 2023 to 127.5 days as of 31 December 2024, and to 155.1 days as of 31 December 2025, primarily due to the increased inventory turnover days and increased trade and bills receivables turnover days. The time difference between our inventory turnover days and trade and bills receivables turnover days indicated a prolonged cash collection process and a potential cash flow mismatch for our Group in relation to our payments to our suppliers with the payment collection from our customers. For discussion of the factors affecting our inventory turnover days and trade and bills receivables turnover days, see "– Discussion of Major Consolidated Statements of Financial Position Items – Inventories" and "– Discussion of Major Consolidated Statements of Financial Position Items – Trade and bills receivables" in this section.

In order to finance the upfront costs and working capital needs along with our business operation, our Directors had established an effective and prudent liquidity management strategy to cater with the liquidity pressure. See "Discussion of Major Consolidated Statements of Financial Position Items – Trade and bills receivables" in this section and "Risk Factors – Risk Relating to our Business and Industry – We are exposed to risks associated with an extended cash conversion cycle".

RELATED PARTY TRANSACTIONS

With respect to the related party transactions during the Track Record Period, which are set out in Note 27 of the Accountants' Report in Appendix I to this document, our Directors confirm that these transactions were conducted in our normal course of business and at prices and terms no less than those charged to and contracted with our other third-party suppliers. Our Directors also consider that these related party transactions did not distort our results during the Track Record Period and did not make our historical results not reflective of our future performance. For the details of our related party transactions, see Note 27 of the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated statements of financial position. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RISK MANAGEMENT

Our normal business activities expose us to certain financial risks including credit risks and liquidity risks. For details of our financial risk management, please see Note 26 of the Accountants' Report in Appendix I to this document.

DIVIDENDS AND DIVIDEND POLICY

In May 2025, our Company declared dividends in respect of the year ended 31 December 2024 of RMB3.0 per ten shares, in an aggregate amount of RMB13.0 million, which was approved by the shareholders of the Company. Save for the above, no other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Subsequently, in March 2026, our company declared dividends for the year ended 31 December 2025 of RMB3.0 per ten shares, amounting to RMB13.0 million in aggregate, which was also approved by the shareholders.

As of the Latest Practicable Date, our Company has not adopted a formal dividend policy, nor do we maintain a pre-determined dividend payout ratio.

The declaration, payment, and amount of any future dividends will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors, which our Directors consider relevant.

DISTRIBUTABLE RESERVES

As of 31 December 2025, our Group had retained earnings of RMB82.0 million. The retained profits are reserves available for distribution to our equity Shareholders.

[REDACTED]

[REDACTED] comprise professional fees, **[REDACTED]** commissions, and other incremental costs incurred in connection with the **[REDACTED]**.

Based on the mid-point of the indicative **[REDACTED]** range, we estimate that the total **[REDACTED]** will be approximately HK$**[REDACTED]** (RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the **[REDACTED]**. These expenses are categorized into: (i) **[REDACTED]**-related expenses (including but not limited to commissions and fees) of approximately HK$**[REDACTED]** (RMB**[REDACTED]**); and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]** (RMB**[REDACTED]**), which further consist of (a) professional fees for legal advisers and reporting accountants of approximately HK$**[REDACTED]** (RMB**[REDACTED]**), and (b) other fees and expenses of approximately HK$**[REDACTED]** (RMB**[REDACTED]**).

Out of the total estimated **[REDACTED]**, approximately HK$**[REDACTED]** (RMB **[REDACTED]**) is directly attributable to the issuance of new Shares and will be deducted from equity upon completion of the **[REDACTED]**. The remaining HK$**[REDACTED]** (RMB**[REDACTED]**) will be expensed in our consolidated statements of profit or loss and other comprehensive income. Specifically, HK$**[REDACTED]** (RMB**[REDACTED]**) was already incurred during the Track Record Period, and we expect to further incur approximately HK$**[REDACTED]** (RMB**[REDACTED]**) to be charged to our profit or loss for the year ending 31 December 2026.

PROPERTY VALUATION

AP Appraisal Limited, an independent property valuer, has valued our property interests as of 30 April 2026 and is of the opinion that the total market value in existing state as of such date was RMB50.5 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document. A reconciliation of the net book value of our properties as of 31 December 2025 as set out in the Accountants' Report in Appendix I to this document to their fair value as of 30 April 2026 as stated in the property valuation report as set out in the section headed "Property Valuation" in Appendix III to this document is set out below:

Land parcel located at Zibo Economic Development Zone, Zibo City, Shandong Province, the PRC

	New Materials Park, No. 9, Hezhuang Village, Zibo Economic Development Zone, Zibo City, Shandong Province, the PRC *RMB'000*
Net book value as of 31 December 2025	24,863.9
Less: Movements for the two months ended 30 April 2026 –	
Depreciation and amortization (unaudited)	272.2
Net valuation surplus/(loss)	878.3
Valuation of the properties owned by our Group as of 30 April 2026 as set out in the property valuation report in the section headed "Property Valuation" in Appendix III to this document	25,470.0

Land parcel located at Guoli Town, Huantai County, Shandong Province

	No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province, the PRC *RMB'000*
Net book value as of 31 December 2025	16,920.9
Less: Movements for the two months ended 30 April 2026 – Depreciation and amortization (unaudited)	237.8
Net valuation surplus/(loss)	8,376.9
Valuation of the properties owned by our Group as of 30 April 2026 as set out in the property valuation report in the section headed "Property Valuation" in Appendix III to this document	25,060.0

RECENT DEVELOPMENT

During the first quarter of 2026, along with the increase in petroleum price, the market price of unsaturated polyester resin, our key raw material, rose by around 30%, and the market price of glass fiber rolls rose by around 20%. These external factors may lead to upward pressure on our raw material and compressing our gross profit margin. Accordingly, we anticipate that our raw material costs, will be subject to upward pressure, in particular due to the recent conflict involving Iran and the resulting geopolitical tensions in the Middle East. If we are unable to fully pass through such incremental costs to our customers, these fluctuations may result in a potential compression on our gross profit and net profit.

We expect that there may be a decrease in net profit for the year ending 31 December 2026, primarily due to (i) an increase in our selling and distribution expenses in 2026 resulting from the planned expansion of sales channels and enhancement of marketing capabilities; (ii) the incurrence of non-recurring **[REDACTED]** recognized in administrative expenses; and (iii) upward pressure on raw material costs driven by fluctuations in market prices.

Our Directors confirm that, up to the date of this document, save as disclosed above, there has been no material adverse change in our financial condition, results of operations and operating cash flow, nor has there been any material adverse change in our revenue, cost of sales, gross profit, and gross profit margin since 31 December 2025 (being the date on which the latest audited consolidated financial information of our Company was prepared) and there is no event since 31 December 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Unaudited **[REDACTED]** financial information" in Appendix II to this document.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FUTURE PLANS

See "Business – Our Strategies" in this document for a detailed description of our future plans.

[REDACTED]

Assuming that the **[REDACTED]** is not exercised, after deducting the **[REDACTED]** commissions and other estimated **[REDACTED]** expenses payable by us in connection with the **[REDACTED]**, and assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]**. We intend to use the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below.

1. Incorporation of production line for resin-based composite products embedded with carbon fibers as reinforcing materials

- Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, will be allocated to establishment of a production line for resin-based composite products embedded with continuous carbon fibers. In particular, among such **[REDACTED]**:
  - approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to implement resin-based composite products embedded with continuous carbon fibers manufacturing equipment (連續碳纖維增強熱塑性複合材料製品生產設備) including, large-scale compression machine, ultra-high pressure resin transfer molding (HP-RTM) equipment, 5-axis CNC machining center, automated layering machine and other inspection and testing equipment.
  - approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to produce molds designed according to the specifications requested by customers.
  - approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for the incorporation of production line for continuous carbon fiber prepreg (連續碳纖維增強熱塑性複合材料預浸料生產線).

Machinery	Quantity	Functionality	Net [REDACTED] to be used *HK'000*	Intended implementation timeframe
Manufacturing equipment for resin-based composite products embedded with continuous carbon fibers, including large-scale compression machine, ultra-high pressure resin transfer molding (HP-RTM) equipment, 5-axis CNC machining center, automated layering machine and other inspection and testing equipment	5	Process continuous carbon fiber prepreg and produce final products	**[REDACTED]**	By December 2026
Molds	6	Compress and produce our final product	**[REDACTED]**	Procure 2 molds per year

Machinery	Quantity	Functionality	Net [REDACTED] to be used *HK'000*	Intended implementation timeframe
Production line for continuous carbon fiber prepreg	1	For the purposes of producing continuous carbon fiber prepreg and resin-based composite products embedded with continuous carbon fibers	**[REDACTED]**	By July 2026

– approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used in the procurement of raw materials for our production process, including our yearly purchase of matrix material and reinforcement material which are essential raw materials for the production of our products.

Our plan for the yearly procurement of raw materials is as follows:

Name of raw material	Functionality and characteristics	Annual procurement quantity *(tonne)*	Estimated cost *RMB/kilogram*
Matrix Material			
PEKK	Engineering plastics with enhanced performance	4.8	[300.0]
PEEK	High-strength and toughness, chemical and wear resistance	1.2	[600.0]
Reinforcement Material			
Carbon fiber	High-strength, stiffness, and fatigue resistance	7.2	[200.0]

– approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to further recruit and expand our production team by hiring approximately two production managers and approximately ten production staff.

Our plan to apply the **[REDACTED]** for the recruitment and expansion our production team is as follows:

Title	Number of employees to be hired	Expected monthly salary *HK$'000*	Expected annual salary *HK$'000*	Intended recruitment timeframe
Production manager(1)	Two	[10]	[240]	By July 2026
Production staff(2)	Ten	[8]	[960]	By July 2026

Notes:

(1) The staff must obtain bachelor's degree or equivalent in composite materials science or a related field, and have a minimum of 5 years of professional experience in composite materials science. Prior management experience is preferred.

(2) The staff must obtain associate degree or equivalent in mechanical engineering or a related field, and have relevant professional experience in mechanical automation technology.

Our plan to apply the **[REDACTED]** for the incorporation of production line for resin-based composite products embedded with continuous carbon fibers is set out as follows:

Period	**Implementation of resin-based composite products embedded with continuous carbon fibers manufacturing equipment** *HK$'000*	**Mold production** *HK$'000*	**Procurement of raw material** *HK$'000*	**Recruitment** *HK$'000*	**Incorporation of production line for continuous carbon fiber prepreg** *HK$'000*
From the date of **[REDACTED]** to 31 December 2026	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
From 1 January 2027 to 30 June 2027	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
From 1 July 2027 to 31 December 2027	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
From 1 January 2028 to 30 June 2028	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

2. Implementing intelligent upgrade to production equipment

- Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to upgrade our existing production lines by adopting automation technologies. Furthermore, we will continue to improve our production processes and strengthen digitalized operational management. These measures will enhance the automation and intelligence levels of our production lines, and optimize our production costs, enabling us to provide high-quality products to customers. In particular, among such **[REDACTED]**:

  – Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to deploy approximately seven intelligent molding and shaping equipment. Such intelligent molding and shaping equipment will replace our existing aging equipment, thereby enhancing intelligent production and productivity.

  – Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to integrate approximately 32 robotic arms to enhance our production output and operational efficiency. By integrating robotic arms to seamlessly connect production stages, we can establish a continuous, streamlined workflow.

Our plan to apply the **[REDACTED]** for the upgrade our existing production lines is as follows:

Machinery	**Quantity**	**Functionality**	**Net [REDACTED] to be used** *HK'000*	**Intended completion timeframe**
Intelligent molding and shaping equipment	Seven units	Automated batching, transportation, weighing and packaging for the compression molding process	**[REDACTED]**	By December 2026
Robotic arms	32 units	For packaging and forwarding in compression molding process	**[REDACTED]**	By December 2026

Our plan to apply the **[REDACTED]** to purchase additional machineries is set out as follows:

Period	**Intelligent Molding and Shaping Equipment** *HK$'000*	**Robotic Arm** *HK$'000*	**Intended timeline for trade production**
From the date of **[REDACTED]** to 31 December 2026	**[REDACTED]**	**[REDACTED]**	By December 2026
From 1 January 2027 to 30 June 2027	**[REDACTED]**	**[REDACTED]**	By June 2027
From 1 July 2027 to 31 December 2027	**[REDACTED]**	**[REDACTED]**	By December 2027
From 1 January 2028 to 30 June 2028	**[REDACTED]**	**[REDACTED]**	By June 2028

Our plan to apply the **[REDACTED]** to upgrade by replacing our compression molding machine, specifically our four-column hydraulic presses (四柱油壓機), is set out as follows:

Machinery	**Principal Usage**	**Number of unit**	**Average age**	**Average estimated remaining useful life**
Four column hydraulic press	Molding and curing composite materials under controlled high pressure and temperature	11	10	1

3. Expansion of R&D input

- Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to finance our R&D expansion, enhancing our R&D outputs including procurement of advanced equipment and testing consumables. We also intend to further expand our R&D research team, to support our long-term innovation strategy to maintain our competitiveness in the application of thermoplastic composite material and strengthen our application in glass fibers and carbon fibers as reinforcing materials. In particular, among such **[REDACTED]**:

  Our plan to apply the **[REDACTED]** for the R&D input will be used for the following key R&D projects:

Year of commencement	Project	Amount invested as of 31 December 2025 *RMB'000*	Purpose	Application scenario	R&D model	Total estimated project cost *RMB'000*	Machinery	Status of project	Intended timeframe	Ownership of R&D results
2024	Glass Fiber Composite Electric Vehicle Charging Pile Casing* (纖維增強複合材料電動汽車充電樁殼體)	1,042.5	To enhance the comprehensive performance of the case of charging pile, including enhanced mechanical strength, electrical insulation, flame retardancy, weatherability, and corrosion resistance using resin-based composites embedded with glass fibers. This project is strategically important as it actively applies our core composite material know-how to expand our product portfolio into the high-growth electric vehicle infrastructure sector, diversifying our product offerings and strengthening our market position in advanced industrial applications.	Charging piles	Self-developed	2,000.0	Not applicable	Ongoing optimization of product features and performance	On-going, expected to be completed and commercialization by July 2026	Our Company
2025	Development of Key Technologies for Durable UV-Resistant Color-Stabilizing Composite Materials* (長效紫外防護固色複合材料關鍵技術的研發)	889.5	This project focuses on UV-stability modification for resin-based composites to address color fading in pigmented products. By preventing aging-related degradation, such as color loss and diminished physical properties – we aim to reduce material costs while enhancing durability and aesthetic longevity. This is strategically important for our composite trench covers, which face prolonged outdoor exposure in infrastructure applications. Improved UV resistance and color stability will lower lifecycle replacement costs for customers, strengthen our market position and drive customer retention through enhanced product performance.	Trench covers	Collaboration with Shandong University of Technology	2,000	Not applicable	Conducting research on pigment formulations	NA(1)	Jointly owned

Year of commencement	Project	Amount invested as of 31 December 2025 *RMB'000*	Purpose	Application scenario	R&D model	Total estimated project cost *RMB'000*	Machinery	Status of project	Intended timeframe	Ownership of R&D results
2025	Smart Manhole Cover	124.4	This project replaces traditional manhole covers with an IoT-enabled system to address issues such as theft and unnoticed damage. We aim to develop sensors to monitor cover status including location, movement, damages, and subsurface conditions such as water levels and gases. This enables intelligent oversight, reducing manual inspection needs and lowering management costs while accelerating emergency response, while collecting and analyzing real-time data helps detect drainage problems and hazards. This project is important to the Group as it expands our product portfolio into intelligent infrastructure solutions, broadening our product offerings and strengthening our market position.	Manhole trench covers	Collaboration with Jiangnan University	1,000	System software, sensors, and molds	Designing smart manhole cover architecture and developing its software management platform	On-going, expected to be completed and commercialization by May 2027	Our Company
2025	A continuous carbon fiber material	201.1	To overcome the limitations of traditional metal materials, using composite materials based on high-performance PEKK, PEEK, carbon fiber, and to enhance material utilization, significantly reduces production costs. This project is a bridge for us to expand our product portfolio to resin-based composite products embedded with carbon fibers. In particular, such project allows us to translate laboratory-proven results into commercially viable, mass-producible products. This project is important to the Group as it represents a strategic step towards commercializing our capabilities.	Robotic casing	Collaboration with Shandong University of Technology and professor	10,000	(1) Two 1,000 tonne compression machines and to purchase 6 molds (2) Matrix materials (including PEKK and PEEK) and reinforcement material (including carbon fiber)	The trial line has been installed and trial production of the product has been commenced	On-going, expected to be completed by January 2027, commercialization by March 2027	Our Company

Note:

(1) Project intended to be completed by April 2027. The goal of the project is to enhance the characteristics and quality of our products according to customers' needs. It does not involve commercialization or mass production.

– approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to procure R&D equipment, including molding and shaping equipment such as compression machine and molds for composite materials. We plan to purchase a minimum of two molding and shaping equipment, and to procure six or more molds for composite materials per year;

– approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to expand our R&D team with a focus on recruiting talents by recruiting an aggregate of approximately 12 R&D personnel.

Our plan to apply the **[REDACTED]** for the expansion of our R&D team is set out as follows:

Title	Number of employees to be hired	Expected monthly salary *HK$'000*	Expected annual salary *HK$'000*	Intended recruitment timeframe
Associate Engineer(1)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	By July 2026

Note:

(1) The staff must obtain bachelor's degree or equivalent.

– approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to procure R&D testing consumables such as matrix materials and reinforcing materials.

4. Expansion of sales and marketing channels

- Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to further develop our global sales and market channels, so as to raise global awareness of our brand, market penetration and service efficiency. In particular, among such **[REDACTED]**:

  – approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to further strengthen our brand marketing and promotion to expand our global brand awareness. With additional digital advertisement on social media platforms, we aim to expand our presence across online channels including on Alibaba (阿里巴巴), Baidu Promotion (百度推廣), Tiktok (抖音), Kwai (快手), Baidu Ai Caigou (百度愛採購) and Google (谷歌). We also aim to participate in online and offline product exhibitions and industry marketing events. These efforts form a part of our strategy to build a globally recognized brand and drive long-term customer growth and product repurchase.

  – approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to expand our sales team. We plan to recruit approximately 2 marketing executives and approximately 18 sales representatives.

Our plan to apply the **[REDACTED]** for the expansion of our sales team is set out as follows:

Title	Number of employees to be hired	Expected monthly salary *HK$'000*	Expected annual salary *HK$'000*	Intended recruitment timeframe
Marketing executive[(1)]	Two	[12]	[288]	By July 2026
Sales representative[(2)]	18	[9]	[1,944]	By July 2026

Notes:

(1) The staff must obtain bachelor's degree or equivalent and have at least ten years of related work experience.

(2) The staff must obtain associate degree or equivalent and have at least five years of related work experience.

– approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used to expand global sales and service network by establishing new offices in key markets across Shenzhen, Chengdu, Urumqi, Pakistan and Dubai. Our time frame to expand our global sales and service network are as follows:

Location	Intended establishment timeframe
Shenzhen	By December 2026
Chengdu	By December 2026
Urumqi	By July 2026[(1)]
Pakistan	By March 2027
Dubai	By March 2027

These offices will serve as vital centers for sales support and customer service and communication centers in South China and the Central Asia, providing support to our potential Greater Bay and overseas customers and serving as a point of entry for future global customers.

Note:

(1) The Urumqi branch of our company was registered in June 2026.

5. General working capital

Approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]**, will be used for our general working capital.

The additional **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be HK$**[REDACTED]**. If the **[REDACTED]** were exercised in full, we intend to apply the additional **[REDACTED]** to the above purposes on a pro rata basis.

The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the estimated **[REDACTED]** range.

We do not expect to rely on the **[REDACTED]** of the **[REDACTED]** to carry on our ordinary business operations. To the extent that the **[REDACTED]** of the **[REDACTED]** are not sufficient to fund our development plan, we intend to fund the shortfall through a variety of means, including proceeds from banking facilities and cash generated from operations.

To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately used for the above purposes, we will only deposit those **[REDACTED]** into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the GEM Listing Rules. In the event that part of our **[REDACTED]** are deployed overseas, we will comply with the Guidelines on Foreign Exchange Businesses under Capital Accounts (Edition 2024) in all material respects. During the Track Record Period and as of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with these guidelines.

We will issue an appropriate announcement if there is any material change to the above proposed **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-48, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANDONG BAOGAI NEW MATERIALS TECHNOLOGY CO., LTD. AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shandong Baogai New Materials Technology Co., Ltd. (山東寶蓋新材料科技股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-48, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and 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 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-48 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the initial **[REDACTED]** of H shares of the Company on GEM of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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 and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our

work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 25(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[•]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	4	137,135	130,866	143,645
Cost of sales		(84,758)	(81,782)	(88,824)
Gross profit		52,377	49,084	54,821
Other gains and losses	5	698	1,128	996
Selling expenses		(4,879)	(6,013)	(8,068)
General and administrative expenses		(12,278)	(12,174)	(12,033)
Research and development costs	6(c)	(6,457)	(6,134)	(5,842)
Provision for impairment losses on financial assets and contract assets		(1,158)	(1,793)	(3,129)
Profit from operations		28,303	24,098	26,745
Finance income	6(a)	605	307	152
Finance costs	6(a)	(636)	(307)	(136)
Profit before taxation	6	28,272	24,098	26,761
Income tax	7(a)	(3,050)	(2,474)	(2,707)
Profit for the year attributable to equity shareholders of the Company		25,222	21,624	24,054
Total comprehensive income for the year attributable to equity shareholders of the Company		25,222	21,624	24,054
Earnings per share	10			
Basic and diluted *(RMB)*		0.58	0.50	0.55

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	11	55,773	55,821	53,493
Right-of-use assets	12	19,436	18,168	16,901
Intangible assets		47	24	–
Deferred tax assets	24(b)	620	916	1,284
Other non-current assets		55	–	41
		75,931	74,929	71,719
Current assets				
Inventories	13	9,151	11,096	13,440
Contract assets	14	458	4,350	898
Trade and bills receivables	15	36,810	43,292	56,082
Prepayments, deposits and other receivables	16	1,947	2,360	8,912
Financial assets measured at fair value through profit or loss ("FVPL")	17	200	–	–
Cash and cash equivalents	18(a)	36,675	36,556	33,124
		85,241	97,654	112,456
Current liabilities				
Trade payables	19	8,944	7,742	9,029
Bank and other borrowings	20	7,607	–	130
Accrued expenses and other payables	21	10,526	9,980	9,936
Contract liabilities	22	3,051	3,582	4,762
Lease liabilities	23	754	883	927
Current taxation	24(a)	3,273	2,736	1,983
		34,155	24,923	26,767
Net current assets		51,086	72,731	85,689
Total assets less current liabilities		127,017	147,660	157,408

	Note	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current liabilities				
Deferred tax liabilities	24(b)	457	359	–
Lease liabilities	23	2,782	1,899	972
		3,239	2,258	972
NET ASSETS		123,778	145,402	156,436
CAPITAL AND RESERVES				
Share capital	25(c)	43,400	43,400	43,400
Reserves	25(d)	80,378	102,002	113,036
TOTAL EQUITY		123,778	145,402	156,436

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	11	26,592	28,642	28,345
Right-of-use assets	12	9,904	9,694	9,485
Intangible assets		47	24	–
Investments in subsidiaries	1	43,500	43,500	43,500
Deferred tax assets	24(b)	370	677	1,084
Other non-current assets		–	–	41
		80,413	82,537	82,455
Current assets				
Inventories	13	4,731	6,546	7,048
Contract assets	14	458	4,350	837
Trade and bills receivables	15	30,123	36,418	43,614
Prepayments, deposits and other receivables	16	1,496	2,119	8,750
Cash and cash equivalents	18(a)	11,994	2,758	6,546
		48,802	52,191	66,795
Current liabilities				
Trade payables	19	8,381	7,613	11,396
Bank and other borrowings	20	7,607	–	130
Accrued expenses and other payables	21	5,155	5,447	5,438
Contract liabilities	22	2,084	1,565	5,834
Current taxation		1,312	636	1,099
		24,539	15,261	23,897
Net current assets		24,263	36,930	42,898
Total assets less current liabilities		104,676	119,467	125,353
Non-current liabilities				
Deferred tax liabilities	24(b)	117	78	–
		117	78	–
NET ASSETS		104,559	119,389	125,353

	Note	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
CAPITAL AND RESERVES				
Share capital	25(c)	43,400	43,400	43,400
Reserves	25(d)	61,159	75,989	81,953
TOTAL EQUITY		104,559	119,389	125,353

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	**Share capital** *RMB'000 (Note 25(c))*	**Capital reserve** *RMB'000 (Note 25(d)(i))*	**Statutory reserves** *RMB'000 (Note 25(d)(ii))*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2023		43,400	2,387	3,818	48,951	98,556
Changes in equity for 2023:						
Profit and total comprehensive income for the year		–	–	–	25,222	25,222
Appropriation to statutory reserves		–	–	2,020	(2,020)	–
Balance at 31 December 2023 and 1 January 2024		43,400	2,387	5,838	72,153	123,778
Changes in equity for 2024:						
Profit and total comprehensive income for the year		–	–	–	21,624	21,624
Appropriation to statutory reserves		–	–	1,483	(1,483)	–
Balance at 31 December 2024 and 1 January 2025		43,400	2,387	7,321	92,294	145,402
Changes in equity for 2025:						
Profit and total comprehensive income for the year		–	–	–	24,054	24,054
Appropriation to statutory reserves		–	–	1,898	(1,898)	–
Dividend declared	25(b)	–	–	–	(13,020)	(13,020)
Balance at 31 December 2025		43,400	2,387	9,219	101,430	156,436

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Operating activities				
Cash generated from operations	18(b)	11,913	17,233	26,761
Income tax paid	24(a)	(2,355)	(3,405)	(4,187)
Net cash generated from operating activities		9,558	13,828	22,574
Investing activities				
Payment for the purchase of property, plant and equipment, right-of-use assets, intangible assets and other non-current assets		(12,908)	(5,533)	(5,748)
Investment income from financial assets measured at FVPL		78	135	203
Redemption of principal of financial assets measured at FVPL		3,935	18,700	128,000
Payment for purchase of financial assets measured at FVPL		–	(18,500)	(128,000)
Repayments received from a shareholder		1,766	–	–
Net cash used in investing activities		(7,129)	(5,198)	(5,545)
Financing activities				
Proceeds from bank and other borrowings		25,260	2,400	6,155
Repayments of bank and other borrowings		(39,060)	(10,000)	(5,000)
Interest expenses paid		(483)	(173)	(19)
Capital element of lease rentals paid	18(c)	(727)	(754)	(883)
Interest element of lease rentals paid	18(c)	(166)	(141)	(100)
Dividends paid	25(b)	–	–	(13,020)
Payments of **[REDACTED]**		–	–	**[REDACTED]**
Others		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net cash used in financing activities		(15,257)	(8,749)	(20,461)
Net decrease in cash and cash equivalents		(12,828)	(119)	(3,432)
Cash and cash equivalents at 1 January	18(a)	49,503	36,675	36,556
Cash and cash equivalents at 31 December	18(a)	36,675	36,556	33,124

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Shandong Baogai New Materials Technology Co., Ltd. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 22 January 2009, as a limited liability company under the Companies Law of the PRC and converted into a joint stock company with limited liability on 30 May 2019. Its shares have been quoted on the National Equities Exchange and Quotations (the "NEEQ") since September 2024 (Stock Code: 874551).

The Company and its subsidiaries (together, the "Group") are principally specialised in advanced trench covers for engineering and infrastructure applications.

The statutory financial statements of the Company for the fiscal years ended 31 December 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Tianheng Certified Public Accountants (Special General Partnership) (天衡會計師事務所(特殊普通合夥)).

The statutory financial statements of the Company for the fiscal year ended 31 December 2025 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)).

As at each reporting date during the Track Record Period and at the date of this report, the Company has direct interests in the following subsidiaries, all of which are private companies:

Name	Date and place of incorporation and business	Particulars of issued capital/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Xi'An Baogai New Materials Technology Co., Ltd. ("Xi'An Baogai") 西安寶蓋新材料科技有限公司 *(Notes (i), (iii))*	7 September 2021 The PRC	RMB10,000,000/ RMB10,000,000	100%	Specialised in advanced trench cover for engineering and infrastructure applications
Zhongdian (Shandong) Electric Power Technology Co., Ltd. ("Zhongdian (Shandong)") 中電(山東)電力科技有限公司 *(Notes (i), (ii))*	25 December 2019 The PRC	RMB30,000,000/ RMB30,000,000	100%	Specialised in advanced trench cover for engineering and infrastructure applications
Shandong Baoding Machinery Mould Co., Ltd. ("Shandong Baoding") 山東寶鼎機械模具有限公司 *(Notes (i), (iii))*	22 February 2022 The PRC	RMB5,000,000/ RMB3,500,000	100%	Mold manufacturing and sales

Notes:

(i) These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translations are for identification only.

(ii) The financial statements of Zhongdian (Shandong) for the fiscal year ended 31 December 2024 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Beijing Yiheng Certified Public Accountants (General Partnership) (北京軼恒會計師事務所(普通合夥)). No audited financial statements have been issued for the years ended 31 December 2023 and 2025.

(iii) As at the date of this report, no audited financial statements have been issued for these entities.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new or revised standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2025 are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except financial assets measured at fair value through profit or loss ("FVPL"), as explained in Note 2(d).

(b) Use of estimates and judgments

The preparation financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale)).

(d) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(c). These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(e) Property, plant and equipment

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(h)(ii)):

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives are as follows:

Plant and buildings	10–20 years
Machinery and equipment	10 years
Electronic devices	3 years
Vehicles	4–5 years
Mold	4–5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(ii) Construction in progress

Construction in progress represents plant and buildings under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see Note 2(h)(ii)). The cost includes the direct costs of construction, plant and equipment.

Construction in progress is not depreciated until such time as the assets are completed and ready for operational use, after which the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2(e)(i).

(f) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(h)(ii)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

Software	5 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to financial instruments measured at amortised cost (see Note 2(h)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and bill receivables, and other receivables) and contract assets.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls of fixed-rate financial assets, trade and bills receivables, other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset and contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written-off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale 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.

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.

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.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(q)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(h)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(q)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable would also be recognised (see Note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(q)(ii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(h)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Bank and other borrowings

Bank and other borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(r).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD").

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer or the consignee or carrier designated by the customer takes possession of and accepts the products.

(ii) Revenue from other sources and other income

– *Interest income*

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

– *Dividends*

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

– *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the asset.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 26 contain information about the assumptions and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets after taking into account the anticipated changes on how such assets are to be deployed in the future. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Net realisable value of inventories

A write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The Group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period. Further details are included in Note 13.

(c) Expected credit losses for trade and bills receivables and contract assets

The credit loss allowance for trade and bills receivables and contract assets is based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are engaged in the R&D, manufacturing, and sales of high-performance glass fiber-reinforced polymer trench covers, including cable trench covers, drainage covers, and manhole covers.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15 and recognised at a point in time			
– Cable trench covers	103,840	93,824	100,661
– Drainage trench covers	14,347	19,570	25,203
– Manhole trench covers	14,275	14,528	9,426
– Others	4,673	2,944	8,355
Total revenue from contracts with customers	137,135	130,866	143,645

During the Track Record Period, the Group has no customers with whom transactions have exceeded 10% of the total revenue of the Group in the respective years. Details of concentrations of credit risk arising from largest debtors are set out in Note 26(a).

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

(b) Segment reporting

Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the management of the Company are of the view that there is only one segment which is used to make strategic decisions.

Geographic information

The geographical location of customers is based on the location at which the customers operate. The Group's revenue from external customers analysed by location of customers is detailed as below:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland (place of domicile)	136,769	130,791	142,287
Overseas	366	75	1,358
	137,135	130,866	143,645

The Group's specified non-current assets, including property, plant and equipment, intangible assets, right-of-use assets and other non-current assets, analysed by the physical location of the asset are in Chinese Mainland during the Track Record Period.

5 OTHER GAINS AND LOSSES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note (i))*	597	856	790
Gains on financial assets measured at FVPL	34	135	203
Net gains/(losses) from disposal or scrap of property, plant and equipment	3	(2)	(4)
Others	64	139	7
	698	1,128	996

Note:

(i) The government grants represent subsidies from various PRC authorities.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income from bank deposits	(605)	(307)	152
Finance costs			
Interest on lease liabilities *(Note 12(b))*	166	141	100
Interest on bank and other borrowings	470	166	36
	636	307	136
Net finance expense/(income)	31	–	(16)

(b) Staff costs

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonuses and other benefits	25,142	24,119	26,419
Contributions to defined contribution retirement plans *(Note (i))*	2,718	3,146	2,779
	27,860	27,265	29,198

Notes:

(i) The employees of the Company and the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these companies are required to contribute to the schemes during the Track Record Period. Employees of these companies are entitled to retirement benefits, calculated based on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees, from the above-mentioned retirement schemes at their normal retirement age.

(ii) The Group has no further obligation for payment of other retirement benefits beyond the contributions mentioned in (i) above.

(c) Other items

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amortisation of intangible assets	23	23	24
Depreciation of			
– property, plant and equipment *(Note 11)*	4,267	5,435	5,839
– right-of-use assets *(Note 12)*	1,309	1,268	1,267
Cost of inventories *(Note (i))*	84,758	81,782	88,824
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Auditors' remuneration	425	198	519
Research and development costs *(Note (ii))*	6,457	6,134	5,842

Notes:

(i) Cost of sales of inventories includes RMB18,489,000, RMB19,611,000, and RMB20,684,000 relating to staff costs, depreciation and amortisation expenses during the years ended 31 December 2023, 2024 and 2025 respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) During the years ended 31 December 2023, 2024 and 2025, research and development costs include RMB3,429,000, RMB3,052,000 and RMB2,913,000, respectively, relating to staff costs and depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in the Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – The PRC Corporate Income Tax *(Note 24(a))*			
Provision for the year	3,243	2,868	3,434
Deferred tax			
Origination and reversal of temporary differences	(193)	(394)	(727)
	3,050	2,474	2,707

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	28,272	24,098	26,761
Expected tax on profit before taxation, calculated at the applicable tax rate of 15% *(Note (i))*	4,241	3,615	4,014
Tax effect of additional tax deduction on research and development expenses *(Note (ii))*	(963)	(914)	(860)
Effect of tax concessions *(Note (iii))*	(250)	(392)	(377)
Tax effect of non-deductible expenses	22	36	40
Tax effect of unused tax losses and temporary differences not recognised	–	150	(101)
Others	–	(21)	(9)
Income tax	3,050	2,474	2,707

Notes:

(i) The Company and Zhongdian (Shandong), one of its subsidiaries, are qualified as High New Tech Enterprises and are entitled to a preferential enterprise income tax rate of 15% during the Track Record Period according to the tax incentives policies of the PRC Enterprise Income Tax Law for the High New Tech Enterprises.

(ii) According to the relevant tax rules in Chinese Mainland, qualified research and development expenses are allowed for additional tax deduction based on 100% of the relevant expenses during the Track Record Period.

(iii) Xi'An Baogai and Shandong Baoding, subsidiaries of the Group, have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 5% during the Track Record Period.

8 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is disclosed as follows:

	Year ended 31 December 2023				
	Directors' fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Zhentao *(Chairman)*	–	289	188	41	518
Ms. Li Xiaoyan	–	168	83	–	251
Mr. Li Dong	–	172	65	24	261
Ms. Sun Ailing	–	165	51	–	216
Ms. Fan Hongyan	–	116	31	18	165
Supervisors					
Mr. Yang Dawei	–	562	79	40	681
Mr. Zhang Jicheng	–	149	43	21	213
Mr. Xu Kai	–	117	31	18	166
	–	1,738	571	162	2,471

	Year ended 31 December 2024				
	Directors' fees *RMB'000*	Salaries, allowances and benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Liu Zhentao *(Chairman)*	–	243	144	42	429
Ms. Li Xiaoyan	–	127	60	–	187
Mr. Li Dong	–	172	53	31	256
Ms. Sun Ailing	–	147	54	–	201
Ms. Fan Hongyan	–	108	26	19	153
Supervisors					
Mr. Yang Dawei	–	563	85	42	690
Ms. Fan Wenjing[(i)]	–	61	4	13	78
Mr. Zhang Jicheng	–	139	36	27	202
Mr. Xu Kai[(i)]	–	13	6	3	22
	–	1,573	468	177	2,218

	Year ended 31 December 2025				
	Directors' fees *RMB'000*	Salaries, allowances and benefits *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Liu Zhentao *(Chairman)*	–	239	126	43	408
Ms. Li Xiaoyan	–	115	54	–	169
Mr. Li Dong	–	163	51	32	246
Ms. Sun Ailing	–	130	49	–	179
Ms. Fan Hongyan	–	99	24	19	142
Independent non-executive directors					
Mr. Ji Hongwei[(ii)]	24	–	–	–	24
Mr. Leung Ka Wai[(ii)]	24	–	–	–	24
Mr. Wu Yingpeng[(ii)]	36	–	–	–	36
Supervisors					
Mr. Yang Dawei	–	760	74	43	877
Ms. Fan Wenjing	–	79	5	11	95
Mr. Zhang Jicheng	–	131	33	25	189
	84	1,716	416	173	2,389

Notes:

(i) On 13 March 2024, Mr. Xu Kai resigned as the supervisor of the Company and Ms. Fan Wenjing was appointed as a supervisor of Company.

(ii) On 10 September 2025, Mr. Ji Hongwei, Mr. Leung Ka Wai and Mr. Wu Yingpeng were appointed as the independent non-executive directors of the Company.

9 INDIVIDUALS WITH HIGHEST REMUNERATION

The number of directors and supervisors and other employees included in the five highest paid individuals for the years ended 31 December 2023, 2024 and 2025 are set forth below:

	Year ended 31 December		
	2023	**2024**	**2025**
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors and supervisors	3	4	4
Other employees	2	1	1

The emoluments of the directors and supervisors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals, are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	485	287	437
Discretionary bonuses	45	50	41
Retirement scheme contributions	71	42	43
	601	379	521

The remuneration of the above individuals with the highest remuneration are within the following bands:

	Year ended 31 December		
	2023	**2024**	**2025**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil–HK$1,000,000	2	1	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares of 43,400,000 shares in issue during the Track Record Period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the Track Record Period. Hence, the diluted earnings per share is the same as basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Vehicles *RMB'000*	Electronic devices *RMB'000*	Mold *RMB'000*	Constructions in progress *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2023	15,390	20,910	3,075	75	13,981	10,904	64,335
Additions	–	1,679	56	–	883	10,399	13,017
Transfer in/(out)	20,543	515	–	–	134	(21,192)	–
Disposals	–	(5)	–	–	(10)	–	(15)
At 31 December 2023 and 1 January 2024	35,933	23,099	3,131	75	14,988	111	77,337
Additions	–	2,316	579	–	1,528	1,136	5,559
Adjustment	–	(941)	(40)	–	981	–	–
Transfer in/(out)	365	882	–	–	–	(1,247)	–
Disposals	–	(144)	–	(2)	–	–	(146)
At 31 December 2024 and 1 January 2025	36,298	25,212	3,670	73	17,497	–	82,750
Additions	85	1,155	93	–	1,889	297	3,519
Transfer in/(out)	297	–	–	–	–	(297)	–
Disposals	–	(12)	(31)	–	(50)	–	(93)
At 31 December 2025	36,680	26,355	3,732	73	19,336	–	86,176
Accumulated depreciation:							
At 1 January 2023	1,230	3,798	1,477	29	10,768	–	17,302
Charge for the year	979	1,999	404	22	863	–	4,267
Disposals	–	(5)	–	–	–	–	(5)
At 31 December 2023 and 1 January 2024	2,209	5,792	1,881	51	11,631	–	21,564
Charge for the year	1,737	2,364	445	13	876	–	5,435
Adjustment	–	(284)	(25)	–	309	–	–
Disposals	–	(68)	–	(2)	–	–	(70)
At 31 December 2024 and 1 January 2025	3,946	7,804	2,301	62	12,816	–	26,929
Charge for the year	1,752	2,238	508	8	1,333	–	5,839
Disposals	–	(12)	(29)	–	(44)	–	(85)
At 31 December 2025	5,698	10,030	2,780	70	14,105	–	32,683
Net book value:							
At 31 December 2023	33,724	17,307	1,250	24	3,357	111	55,773
At 31 December 2024	32,352	17,408	1,369	11	4,681	–	55,821
At 31 December 2025	30,982	16,325	950	3	5,233	–	53,493

Note: As of 31 December 2023, 2024 and 2025, the Group was applying for certificates of ownership for certain buildings with carrying amount of RMB17,007,000, RMB4,414,000 and RMB3,939,000, respectively. The directors of the Company consider that there is no legal impediment for the Group to access and use such plant and buildings and it should not lead to any significant adverse impact on the operations of the Group.

The Company

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Vehicles *RMB'000*	Electronic devices *RMB'000*	Mold *RMB'000*	Constructions in progress *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2023	–	3,361	2,522	57	12,959	10,904	29,803
Additions	–	914	56	–	964	10,399	12,333
Transfer in/(out)	20,543	515	–	–	134	(21,192)	–
Disposals	–	(5)	–	–	(10)	–	(15)
At 31 December 2023 and 1 January 2024	20,543	4,785	2,578	57	14,047	111	42,121
Additions	–	2,046	193	–	1,254	1,136	4,629
Adjustment	–	(634)	–	–	634	–	–
Transfer in/(out)	365	882	–	–	–	(1,247)	–
Disposals	–	(45)	–	(2)	–	–	(47)
At 31 December 2024 and 1 January 2025	20,908	7,034	2,771	55	15,935	–	46,703
Additions	85	1,003	28	–	1,119	297	2,532
Transfer in/(out)	297	–	–	–	–	(297)	–
Disposals	–	(12)	(31)	–	(47)	–	(90)
At 31 December 2025	21,290	8,025	2,768	55	17,007	–	49,145
Accumulated depreciation:							
At 1 January 2023	–	2,141	1,332	25	10,592	–	14,090
Charge for the year	225	259	273	16	671	–	1,444
Disposals	–	(5)	–	–	–	–	(5)
At 31 December 2023 and 1 January 2024	225	2,395	1,605	41	11,263	–	15,529
Charge for the year	984	436	322	8	827	–	2,577
Disposals	–	(43)	–	(2)	–	–	(45)
At 31 December 2024 and 1 January 2025	1,209	2,788	1,927	47	12,090	–	18,061
Charge for the year	998	510	321	5	990	–	2,824
Disposals	–	(12)	(29)	–	(44)	–	(85)
At 31 December 2025	2,207	3,286	2,219	52	13,036	–	20,800
Net book value:							
At 31 December 2023	20,318	2,390	973	16	2,784	111	26,592
At 31 December 2024	19,699	4,246	844	8	3,845	–	28,642
At 31 December 2025	19,083	4,739	549	3	3,971	–	28,345

12 RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

The Group

	Properties leased for own use *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2023	5,225	7,677	12,902
Additions	–	10,061	10,061
Lease matured and disposals	(228)	(490)	(718)
At 31 December 2023, 2024 and 2025	4,997	17,248	22,245
Accumulated depreciation:			
At 1 January 2023	1,007	1,126	2,133
Charge for the year	823	486	1,309
Lease matured and disposals	(186)	(447)	(633)
At 31 December 2023 and 1 January 2024	1,644	1,165	2,809
Charge for the year	789	479	1,268
At 31 December 2024 and 1 January 2025	2,433	1,644	4,077
Charge for the year	789	478	1,267
At 31 December 2025	3,222	2,122	5,344
Net book value:			
At 31 December 2023	3,353	16,083	19,436
At 31 December 2024	2,564	15,604	18,168
At 31 December 2025	1,775	15,126	16,901

The Company

	Properties leased for own use *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2023	228	490	718
Additions	–	10,061	10,061
Lease matured and disposals	(228)	(490)	(718)
At 31 December 2023, 2024 and 2025	–	10,061	10,061
Accumulated depreciation:			
At 1 January 2023	152	388	540
Charge for the year	34	216	250
Lease matured and disposals	(186)	(447)	(633)
At 31 December 2023 and 1 January 2024	–	157	157
Charge for the year	–	210	210
At 31 December 2024 and 1 January 2025	–	367	367
Charge for the year	–	209	209
At 31 December 2025	–	576	576
Net book value:			
At 31 December 2023	–	9,904	9,904
At 31 December 2024	–	9,694	9,694
At 31 December 2025	–	9,485	9,485

Notes:

(i) Land use rights

Land use rights represent payments for land use rights of land located in the PRC where the Group's plants situate. Lump sum payments were made upfront to for these interests in leasehold land, and there are no ongoing payments to be made under the terms of the land lease. The period for these land use rights is no more than 50 years.

(ii) Properties leased for own use

The Group leases production plant and office premise under leases expiring in 6 years. None of the leases includes variable lease payments.

(b) The analysis of expense items in relation to leases recognized in profit or loss are as follows:

The Group

	Year ended 31 December		
	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Depreciation charge of right-of-use assets *(Note 6(c))*	1,309	1,268	1,267
Interest on lease liabilities *(Note 6(a))*	166	141	100
Expense relating to short-term leases	173	19	20

Details of total cash outflow for leases, and the maturity analysis of lease liabilities are set out in Notes 18(d) and 26, respectively.

13 INVENTORIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Raw materials	3,306	3,257	4,114
Work in progress	442	168	163
Finished goods	5,607	8,400	10,087
Goods in transit	123	43	593
	9,478	11,868	14,957
Less: write-down of inventories	(327)	(772)	(1,517)
	9,151	11,096	13,440

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Raw materials	1,187	1,542	1,670
Work in progress	39	64	77
Finished goods	3,688	5,505	6,425
Goods in transit	50	44	50
	4,964	7,155	8,222
Less: write-down of inventories	(233)	(609)	(1,174)
	4,731	6,546	7,048

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	84,682	81,336	87,971
Write-down of inventories	76	446	853
	84,758	81,782	88,824

14 CONTRACT ASSETS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	482	4,603	961
Less: allowance for doubtful debts	(24)	(253)	(63)
	458	4,350	898

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	482	4,603	896
Less: allowance for doubtful debts	(24)	(253)	(59)
	458	4,350	837

15 TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	5,841	2,037	6,295
Trade receivables			
– Third parties	33,367	44,892	56,829
	39,208	46,929	63,124
Less: allowance for doubtful debts	(2,398)	(3,637)	(7,042)
	36,810	43,292	56,082

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	3,864	1,493	2,319
Trade receivables			
– Subsidiaries	19	36	147
– Third parties	28,269	38,058	47,052
	32,152	39,587	49,518
Less: allowance for doubtful debts	(2,029)	(3,169)	(5,904)
	30,123	36,418	43,614

All of the trade and bills receivables of the Group and the Company are expected to be recovered within one year.

The ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	33,729	30,192	32,325
1 to 2 years	2,872	11,178	19,305
2 to 3 years	209	1,922	4,452
	36,810	43,292	56,082

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	27,086	24,609	23,350
1 to 2 years	2,871	9,871	16,366
2 to 3 years	166	1,938	3,898
	30,123	36,418	43,614

Further details on the Group's credit policy and credit risk are set out in Note 26(a).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Deposits	1,343	2,127	1,286
Advances to suppliers	597	226	413
Prepayments in connection with the proposed initial **[REDACTED]** of the Company's H shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	7	7	132
	1,947	2,360	8,912

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Deposits	1,286	1,963	1,154
Advances to suppliers	207	156	391
Prepayments in connection with the proposed initial **[REDACTED]** of the Company's H shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	3	–	124
	1,496	2,119	8,750

17 FINANCIAL ASSETS MEASURED AT FVPL

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	200	–	–

The wealth management products were issued by banks with variable investment income and can be redeemed on demand or in a short-term.

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	36,675	36,556	33,124

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	11,994	2,758	6,546

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Profit before taxation		28,272	24,098	26,761
Adjustments for:				
Depreciation of property, plant and equipment	6(c)	4,267	5,435	5,839
Depreciation of right-of-use assets	6(c)	1,309	1,268	1,267
Amortisation of intangible assets	6(c)	23	23	24
Net (gains)/losses from disposal or scrap of property, plant and equipment	5	(3)	2	4
Gains on financial assets measured at FVPL	5	(34)	(135)	(203)
Financial income		(24)	–	–
Financial costs	6(a)	636	307	136
Sub-total		34,446	30,998	33,828
Changes in working capital:				
Increase in inventories		(1,839)	(3,929)	(2,344)
(Increase)/decrease in contract assets		(457)	(3,892)	3,452
Increase in trade and bills receivables		(23,752)	(6,398)	(13,834)
Decrease/(increase) in prepayments, deposits and other receivables		439	(413)	164
Decrease in restricted cash		20	–	–
Increase in trade and bills payables		4,049	303	2,908
(Decrease)/increase in accrued expenses and other payables		(1,185)	33	1,407
Increase in contract liabilities		192	531	1,180
Cash generated from operations		11,913	17,233	26,761

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank and other borrowings *RMB'000 (Note 20)*	**Lease liabilities** *RMB'000 (Note 23)*	**Total** *RMB'000*
At 1 January 2023	21,420	4,351	25,771
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(727)	(727)
Interest element of lease rentals paid	–	(166)	(166)
Proceeds from bank and other borrowings	25,260	–	25,260
Repayments of bank and other borrowings	(39,060)	–	(39,060)
Interests paid	(483)	–	(483)
Total changes from financing cash flows	(14,283)	(893)	(15,176)
Other changes:			
Interest expenses *(Note 6(a))*	–	166	166
Interest on bank and other borrowings	470	–	470
Termination of leases during the year	–	(88)	(88)
Total other changes	470	78	548
At 31 December 2023 and 1 January 2024	7,607	3,536	11,143
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(754)	(754)
Interest element of lease rentals paid	–	(141)	(141)
Proceeds from bank and other borrowings	2,400	–	2,400
Repayments of bank and other borrowings	(10,000)	–	(10,000)
Interests paid	(173)	–	(173)
Total changes from financing cash flows	(7,773)	(895)	(8,668)
Other changes:			
Interest expenses *(Note 6(a))*	–	141	141
Interest on bank and other borrowings	166	–	166
Total other changes	166	141	307
At 31 December 2024	–	2,782	2,782

	Bank and other borrowings *RMB'000 (Note 20)*	Lease liabilities *RMB'000 (Note 23)*	Total *RMB'000*
At 1 January 2025	–	2,782	2,782
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(883)	(883)
Interest element of lease rentals paid	–	(100)	(100)
Proceeds from bank and other borrowings	6,155	–	6,155
Repayments of bank and other borrowings	(5,000)	–	(5,000)
Interests paid	(19)	–	(19)
Total changes from financing cash flows	1,136	(983)	153
Other changes:			
Interest expenses *(Note 6(a))*	–	100	100
Interest on borrowings	36	–	36
Settlement of bills by third parties	(1,042)	–	(1,042)
Total other changes	(1,006)	100	(906)
At 31 December 2025	130	1,899	2,029

(d) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December		
	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Within operating cash flows	173	19	20
Within financing cash flows	893	895	983
Within investing cash flows	3,444	–	–
	4,510	914	1,003

These amounts relate to the following:

	Year ended 31 December		
	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Lease rentals paid	4,510	914	1,003

19 TRADE PAYABLES

The Group

	As at 31 December		
	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Trade payables	8,944	7,742	9,029

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Subsidiaries	2,562	3,992	7,912
Third parties	5,819	3,621	3,484
	8,381	7,613	11,396

All trade payables are expected to be settled within one year or are repayable on demand.

An ageing analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	8,909	5,829	8,985
Over 1 year	35	1,913	44
	8,944	7,742	9,029

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	8,373	4,069	8,635
Over 1 year	8	3,544	2,761
	8,381	7,613	11,396

20 BANK AND OTHER BORROWINGS

(a) The analysis of the repayment schedule of borrowings is as follows:

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans:			
– Unsecured and guaranteed *(Note (i))*	7,607	–	–
Other borrowings:			
– Secured and unguaranteed *(Note (ii))*	–	–	130
	7,607	–	130

The Group and the Company's bank and other borrowings are repayable as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	7,607	–	130

Notes:

(i) These bank loans were guaranteed by Mr. Liu Zhentao and Ms. Li Xiaoyan and have been fully repaid in 2024.

(ii) These borrowings were secured by the discounted acceptance bills of the Group.

All of the above bank and other borrowings are carried at amortised cost.

21 ACCRUED EXPENSES AND OTHER PAYABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Accrued payroll and benefits	4,447	4,071	4,324
Other tax payables	3,581	4,413	1,316
Others	2,498	1,496	4,296
	10,526	9,980	9,936

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Accrued payroll and benefits	2,756	2,124	2,279
Other tax payables	1,980	2,546	924
Others	419	777	2,235
	5,155	5,447	5,438

All of accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

22 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	3,051	3,582	4,762

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	2,084	1,565	5,834

As at 31 December 2023, 2024 and 2025, all of contract liabilities is expected to be recognised as revenue within one year.

23 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	754	883	927
After 1 year but within 2 years	883	927	972
After 2 years but within 5 years	1,899	972	–
	2,782	1,899	972
	3,536	2,782	1,899

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position:

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
PRC Corporate Income Tax			
At 1 January	2,385	3,273	2,736
Provision for the year	3,243	2,868	3,434
Payments during the year	(2,355)	(3,405)	(4,187)
At 31 December	3,273	2,736	1,983
Representing:			
Current taxation	3,273	2,736	1,983

(b) Deferred tax assets and liabilities recognised

(i) Movements of each component of deferred assets and liabilities

The Group

Deferred tax assets:	**Provision for receivables and inventories** *RMB'000*	**Unused tax losses** *RMB'000*	**Depreciation allowances difference** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	279	45	8	226	558
Credited/(charged) to profit or loss	153	(45)	3	(49)	62
At 31 December 2023 and 1 January 2024	432	–	11	177	620
Credited/(charged) to profit or loss	331	–	3	(38)	296
At 31 December 2024 and 1 January 2025	763	–	14	139	916
Credited to profit or loss	645	–	3	336	984
At 31 December 2025	1,408	–	17	475	1,900

Deferred tax liabilities:	**Depreciation allowances difference** *RMB'000*	**Right-of-use Assets** *RMB'000*	**Fair value arising from financial assets at FVPL** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	347	234	7	588
Credited to profit or loss	(58)	(66)	(7)	(131)
At 31 December 2023 and 1 January 2024	289	168	–	457
Credited to profit or loss	(58)	(40)	–	(98)
At 31 December 2024 and 1 January 2025	231	128	–	359
Credited to profit or loss	(59)	316	–	257
At 31 December 2025	172	444	–	616

The Company

Deferred tax assets:	**Provision for receivables and inventories** *RMB'000*	**Unused tax losses** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	265	–	13	278
Credited/(charged) to profit or loss	105	–	(13)	92
At 31 December 2023 and 1 January 2024	370	–	–	370
Credited to profit or loss	307	–	–	307
At 31 December 2024 and 1 January 2025	677	–	–	677
Credited to profit or loss	445	–	–	445
At 31 December 2025	1,122	–	–	1,122

Deferred tax liabilities:	**Depreciation allowances difference** *RMB'000*	**Right-of-use Assets** *RMB'000*	**Fair value arising from financial assets at FVPL** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	156	27	7	190
Credited to profit or loss	(39)	(27)	(7)	(73)
At 31 December 2023 and 1 January 2024	117	–	–	117
Credited to profit or loss	(39)	–	–	(39)
At 31 December 2024 and 1 January 2025	78	–	–	78
Credited to profit or loss	(39)	–	–	(39)
At 31 December 2025	39	–	–	39

(ii) Reconciliation to the statements of financial position

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	620	916	1,284
Net deferred tax liability recognised in the consolidated statement of financial position	(457)	(359)	–
	163	557	1,284

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

	Share capital	Capital reserve	Statutory reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023	43,400	2,693	3,818	34,449	84,360
Changes in equity for 2023:					
Profit and total comprehensive income for the year	–	–	–	20,199	20,199
Appropriation to statutory reserves	–	–	2,020	(2,020)	–
Balance at 31 December 2023 and 1 January 2024	43,400	2,693	5,838	52,628	104,559
Changes in equity for 2024:					
Profit and total comprehensive income for the year	–	–	–	14,830	14,830
Appropriation to statutory reserves	–	–	1,483	(1,483)	–
Balance at 31 December 2024 and 1 January 2025	43,400	2,693	7,321	65,975	119,389
Changes in equity for 2025:					
Profit and total comprehensive income for the year	–	–	–	18,984	18,984
Appropriation to statutory reserves	–	–	1,898	(1,898)	–
Dividend declared	–	–	–	(13,020)	(13,020)
Balance at 31 December 2025	43,400	2,693	9,219	70,041	125,353

(b) Dividends

In May 2025, cash dividends in respect of the year ended 31 December 2024 of RMB3.0 per ten shares, in an aggregate amount of RMB13,020,000 were approved by the shareholders of the Company.

(c) Share capital

	At 31 December					
	2023		2024		2025	
	No. of shares '000	*Amount RMB'000*	*No. of shares '000*	*Amount RMB'000*	*No. of shares '000*	*Amount RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January and 31 December	43,400	43,400	43,400	43,400	43,400	43,400

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

– the net proceeds received in excess of the total amount of the par value of shares issued as disclosed in Note 25(c); and

– difference between the consideration paid for acquisition of non-controlling interests and the share of net assets of subsidiaries acquired.

(ii) Statutory reserve

Pursuant to the Company's Articles of Association, the Company is required to transfer 10% of net profit (after offsetting prior year losses) at determined in accordance with the accounting rules and regulations of the PRC to the statutory reserve until such reserve reaches 50% of the registered capital of the Company. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the Company and is non-distributable other than in liquidation.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of the Group's business. The Group is not exposed to any significant interest rate and currency risks.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables, contract assets and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bank acceptance bills is limited because the counterparties are banks and financial institutions with a high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Credit risk arising from trade and bills receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Generally, trade receivables are due from 1 to 6 months from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2023, 2024 and 2025, 46%, 47% and 33% of the total trade and bills receivables and contract assets, respectively, was due from the Group's five largest debtors.

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets as at 31 December 2023, 2024 and 2025:

	At 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	5.00	35,985	1,798
1 to 2 years	7.47	3,104	232
2 to 3 years	20.23	262	53
Over 3 years	100.00	339	339
Trade and bills receivables and contract assets		39,690	2,422

	At 31 December 2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	6.10	36,339	2,217
1 to 2 years	8.26	12,642	1,044
2 to 3 years	21.36	2,444	522
Over 3 years	100.00	107	107
Trade and bills receivables and contract assets		51,532	3,890

	At 31 December 2025		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	6.18	35,336	2,183
1 to 2 years	9.56	21,422	2,047
2 to 3 years	24.62	5,906	1,454
Over 3 years	100.00	1,421	1,421
Trade and bills receivables and contract assets		64,085	7,105

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and bills receivables and contract assets during the Track Record Period is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	1,167	2,422	3,890
Impairment losses recognised	1,255	1,468	3,215
At 31 December	2,422	3,890	7,105

Other receivables

Movement in the loss allowance account in respect of other receivables of the Group during the Track Record Period is as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	300	203	528
Impairment losses (reversed)/ recognised	(97)	325	(86)
At 31 December	203	528	442

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at 31 December 2023, 2024 and 2025 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	At 31 December 2023				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,944	–	–	8,944	8,944
Accrued expenses and other payables	6,945	–	–	6,945	6,945
Bank and other borrowings	7,806	–	–	7,806	7,607
Lease liabilities	894	983	1,967	3,844	3,536
	24,589	983	1,967	27,539	27,032

	At 31 December 2024				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	7,742	–	–	7,742	7,742
Accrued expenses and other payables	5,567	–	–	5,567	5,567
Lease liabilities	983	983	984	2,950	2,782
	14,292	983	984	16,259	16,091

	At 31 December 2025 Contractual undiscounted cash outflow				
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Trade payables	9,029	–	–	9,029	9,029
Accrued expenses and other payables	8,620	–	–	8,620	8,620
Bank and other borrowings	130	–	–	130	130
Lease liabilities	983	984	–	1,967	1,899
	18,762	984	–	19,746	19,678

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements At 31 December 2023 categorised into			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets:				
Financial assets measured at FVPL	–	–	200	200

The Group did not have any financial assets measured at fair value as at 31 December 2024 and 2025.

The Group did not have any financial liabilities measured at fair value as at 31 December 2023, 2024 and 2025.

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Valuation techniques and inputs used in Level 3 fair value measurements

The carrying amount of wealth management products is measured at fair value in the consolidated statements of financial position. The Group determines the fair value of wealth management products by using discounted cash flow models. The unobservable inputs are the expected annual return rate fixed in the investment contracts and discount rate that reflects the credit risk of the counterparty.

As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease of discount rate of 5% would have decreased/increased the Group's profits by RMB1,000.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at the end of each reporting period.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Name of party	Relationship with the Group
Mr. Liu Zhentao	Controlling shareholder
Ms. Li Xiaoyan	Shareholder, spouse of Mr. Liu Zhentao
Ms. Liu Jia	Close family member of Mr. Liu Zhentao

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	2,174	1,991	2,215
Discretionary bonuses	776	634	534
Retirement scheme contributions	223	251	249
	3,173	2,876	2,998

Total remuneration is included in "staff costs" (see Note 6(b)).

(c) Significant related party transactions

During the year ended 31 December 2023, Mr. Liu Zhentao repaid the borrowings and interests from the Company of RMB1,766,000.

During the year ended 31 December 2023, certain secured bank loans of the Group amounted to RMB3,500,000 were secured by the real estate of Ms. Liu Jia. The bank loans were repaid in 2023 and the collateral has been released accordingly.

At 31 December 2023, the Group's bank loans amounted to RMB7,607,000 were guaranteed by Mr. Liu Zhentao and Ms. Li Xiaoyan and the bank loans have been fully repaid during 2024.

During the year ended 31 December 2025, the Group's bank loans amounted to RMB5,000,000 were guaranteed by Mr. Liu Zhentao and were fully repaid in 2025.

At 31 December 2023, 2024 and 2025, the Group had no material balances with related parties.

28 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2025, the directors consider the immediate and ultimate controlling party of the Company to be Mr. Liu Zhentao.

29 SUBSEQUENT EVENTS

On 21 March 2026, cash dividends of RMB3.0 per ten shares in respect of the year ended 31 December 2025, in an aggregate amount of RMB13,020,000, were approved by the shareholders of the Company.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7 – *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Amendments to IFRS 9 and IFRS 7, *Contracts Referencing Nature-dependent Electricity*	1 January 2026
Annual Improvements to IFRS Accounting Standards – *Volume 11*	1 January 2026
IFRS 18, *Presentation and Disclosure in Financial Statements*	1 January 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss and other comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to [31 December 2025].

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited **[REDACTED]** *financial information should be read in conjunction with the section headed "Financial information" in this document and the historical financial information included in the Accountants' Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

AP Appraisal Limited
Suite 707–709, 7/F, Cityplaza Phase 4
12 Taikoo Wan Road
Quarry Bay, Hong Kong
T 852 2200 7600
www.apa.com.hk

[REDACTED]

Shandong Baogai New Materials Technology Co., Ltd.
New Materials Park, No. 9 Hezhuang Village
Zibo Economic Development Zone, Zibo City
Shandong Province, the PRC

Dear Sir or Madam,

RE: Property Valuation of 2 Land Parcels located in Shandong Province of the PRC as of 30 April 2026

We, AP Appraisal Limited ("**APA**"), refer to the instructions from Shandong Baogai New Materials Technology Co., Ltd. (the "**Instructing Party**" or the "**Company**") to conduct valuation of property interests on 2 land parcels (the "**Properties**" or the "**Assets**") located Shandong Province of the PRC as of 30 April 2026 (the "**Valuation Date**") solely for the purpose of financial reporting and Initial **[REDACTED]** purposes on the Hong Kong Stock Exchange (the "**HKEx [REDACTED] Purpose**"). Details of which are set out in the attached valuation summaries. We confirm that we have carried our inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value the Properties as of the Valuation Date.

IDENTIFICATION AND STATUS OF THE VALUER

The valuation will be the responsibility of Mr. Paul Hung (the "**Valuer**") who:

- is in a position to provide an objective and unbiased valuation;
- is competent to undertake the valuation assignment; and
- has no material connection or involvement with the subject asset or the other parties to the valuation assignment.

PURPOSE OF VALUATION

The report will be used for HKEx **[REDACTED]** Purpose only by the Company. The report will not appear in any public document without the prior permission of APA. In accordance with our standard practice, we must state that the report and valuation will be for the use only of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of the valuation nor any reference thereto may be included in any documents or statement without our written approval of the form and context in which it will appear.

PREMISE AND BASIS OF VALUATION

Our valuation is our opinion of market value which is defined by the RICS Valuation Standards to mean "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation is prepared in accordance with the RICS Valuation – Professional Standard issued by the Royal Institution of Chartered Surveyors.

LEGALITY OF TITLE OF THE ASSETS

According to the Chinese Legal Opinion issued by Beijing YINGKE Law Firm, the registered owners of the land parcel 1 ("**Property 1**") and land parcel 2 ("**Property 2**") are Shandong Baogai New Materials Technology Co., Ltd. (山東寶蓋新材料科技股份有限公司) and Zhongdian (Shandong) Electric Power Technology Co., Ltd. (中電(山東)電力科技有限公司) respectively.

VALUATION DATE

30 April 2026

VALUATION METHODOLOGY

According to the International Valuation Standard, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach. Therefore, market approach is adopted in the valuation as we found reliable, verifiable and relevant market information is available.

INSPECTION

On-site inspection was done by Paul Hung, Director of APA, at April 2026.

GENERAL ASSUMPTIONS

Unless otherwise stated, all property interests are valued by the Direct Comparison Method on the assumption that each property can be sold in their existing state with the benefit of vacant possession. The Direct Comparison Method is based on prices realized in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. Physical condition, location and economic characteristics are important criteria to be analyzed when comparing to the Properties.

Our valuation has been made on the assumption that the owner sells the property on the open markets without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

We have relied to a considerable extent on information given by the Instructing Party, in particular, but not limited to, planning approvals, development schemes and schedule, incurred and outstanding development costs, statutory notices, easements, tenancies, floor areas, gross floor areas, site area, construction cost, expected building completion date, etc. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party, which is material to the valuation. We were also advised by the Instructing Party that no material facts have been omitted from the information provided to us. We do not commission site surveys and a site survey has not been provided to us.

We have assumed there are no encroachments by or on the property. We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).

We have assumed that the site is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

Unless otherwise noted, we have assumed that the improvements are free of Asbestos and Hazardous Materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We assume the site is free of subsoil asbestos and have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of the presence of any asbestos/hazardous materials on site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses, government rent or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

We have no previous, current or anticipated involvement with either the property or asset or related parties that is sufficient to create a conflict with the valuer's duty to be independent and objective.

We do not see any material uncertainty concerning the valuation figure reported.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence.

CURRENCY

Unless otherwise specified, all monetary figures are stated in RENMINBI ("**RMB**").

CONCLUSION OF VALUE

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Instructing Party and/or APA.

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that the market value of the Properties were set out as follows:

Land Parcel	Location	Market Value as of 30 April 2026 *(RMB)*
1	New Materials Park, No. 9 Hezhuang Village, Zibo Economic Development Zone, Zibo City, Shandong Province, the PRC	25,470,000
2	No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province, the PRC	25,060,000
	Rounded Total	50,500,000

Note: The monetary amounts, unless otherwise specified, are stated in RENMINBI (RMB).

We hereby certify that we have neither present nor prospective interests in the Instructing Party, the Company or the value reported.

We enclose herewith our valuation summaries.

Yours faithfully,
For and on behalf of
AP Appraisal Limited

Paul Hung *MRICS ASA*
Director – Valuation & Advisory Services

Encl.

Note: Mr. Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 years' valuation experience in the Greater China Region.

SUMMARY OF THE PROPERTIES

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 April 2026
1.	Land parcel located at New Materials Park, No. 9 Hezhuang Village, Zibo Economic Development Zone, Zibo City, Shandong Province, the PRC (中國山東省淄博市淄博經濟開發區河莊村9號)	Property 1 is comprised of 3-storey office (Block 1), 1-storey warehouse (Block 2) and 1-storey factory (Block 3). Property 1 has a total land area of approximately 20,000 sq.m. and a total gross floor area of approximately 8,965.14 sq.m.. The total gross floor area of Block 1, Block 2 and Block 3 are approximately 1918.8 sq.m., 1176.25 sq.m. and 5870.09 sq.m. respectively. The Land Use Rights of Property 1 have been granted for a term of 47 years expiring on 11 March 2071 for industrial and other uses. Details of Property 1 are set out in Note below.	The property is for the self-use of the owner as of 30 April 2026.	RMB 25,470,000 (RENMINBI TWENTY-FIVE MILLION FOUR HUNDRED SEVENTY THOUSAND ONLY)

Notes:

1. Pursuant to a Real Estate Ownership Certificate, Document No.: Lu (2024) Zibo Jing Kai Qu Bu Dong Chan Quan No. 0002285 (魯(2024)淄博經開區不動產權第0002285號), the registered owner of Property 1 is Shandong Baogai New Materials Technology Co., Ltd. (山東寶蓋新材料科技股份有限公司).

2. The Company utilizes five uncertified temporary structures with a total floor area of approximately 1,999.17 sq.m. serving as storage shed, temporary hazardous waste storage, temporary garage, restrooms. As advised by Beijing YINGKE Law Firm, the ownership of the land use rights in Property 1 is in compliance with the applicable PRC laws and regulations in all material respects as of 30 April 2026.

3. Property 1 is subject to 1.2% of property tax.

4. In undertaking our valuation of Block 1, we have made reference to various sales transactions of similar developments which have characteristics comparable to Block 1. Comparables are selected according to the criteria below:

   a. within 50 km from the subject property;

   b. having the same office usage; and

   c. the transaction or asking dates are within 3 months from the Valuation Date.

   Given the comparable properties with type/proposed type of building being the same as Block 1, a market value will be derived. Given all of the selected comparables fit the aforesaid criteria, we believe they can make reasonable and appropriate comparison with Block 1.

   The unit prices of those comparables are about RMB5,427/sq.m. to RMB7,107/sq.m.. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age, building quality, architectural design and floor height in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB5,120/sq.m. for Block 1.

5. Construction of Block 1 is completed and is used as office as of the Valuation Date.

6. The summary of Block 1 as of the Valuation Date is as follows:

Property	Address	Nature	Gross Floor Area *(sq.m.)*	Status	Unit Price *(RMB/sq.m.)*	Market Value *(RMB)*	Land Registry
Property 1 – Block 1	New Materials Park, No. 9 Hezhuang Village, Zibo Economic Development Zone, Zibo City, Shandong Province, the PRC	Office	1,918.8	Self-use	5,120	9,820,000	Attached
					Total (Rounded)	9,820,000	

7. In undertaking our valuation of Block 2, we have made reference to various sales transactions of similar developments which have characteristics comparable to Block 2. Comparables are selected according to the criteria below:

   a. within 50 km from the subject property;

   b. having the same warehouse usage; and

   c. the transaction or asking dates are within 3 months from the Valuation Date.

   Given the comparable properties with type/proposed type of building being the same as Block 2, a market value will be derived. Given all of the selected comparables fit the aforesaid criteria, we believe they can make reasonable and appropriate comparison with Block 2.

   The unit prices of those comparables are about RMB2,200/sq.m. to RMB5,714/sq.m. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age, building quality, architectural design and floor height in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB2,630/sq.m. for Block 2.

8. Construction of Block 2 is completed and is used as warehouse as of the Valuation Date.

9. The summary of Block 2 as of the Valuation Date is as follows:

Property	Address	Nature	Gross Floor Area *(sq.m.)*	Status	Unit Price *(RMB/sq.m.)*	Market Value *(RMB)*	Land Registry
Property 1 – Block 2	New Materials Park, No. 9 Hezhuang Village, Zibo Economic Development Zone, Zibo City, Shandong Province, the PRC	Warehouse	1,176.25	Self-use	2,630	3,090,000	Attached
					Total (Rounded)	3,090,000	

10. In undertaking our valuation of Block 3, we have made reference to various sales transactions of similar developments which have characteristics comparable to of Block 3. Comparables are selected according to the criteria below:

    a. within 50 km from the subject property;

    b. having the same factory usage; and

    c. the transaction or asking dates are within 3 months from the Valuation Date.

    Given the comparable properties with type/proposed type of building being the same as Block 3, a market value will be derived. Given all of the selected comparables fit the aforesaid criteria, we believe they can make reasonable and appropriate comparison with Block 3.

The unit prices of those comparables are about RMB1,114/sq.m. to RMB3,625/sq.m. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age, building quality, architectural design and floor height in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB2,140/sq.m. for Block 3.

11. Construction of Block 3 is completed and is used as factory as of the Valuation Date.

12. The summary of Block 3 as of the Valuation Date is as follows:

Property	**Address**	**Nature**	**Gross Floor Area** *(sq.m.)*	**Status**	**Unit Price** *(RMB/sq.m.)*	**Market Value** *(RMB)*	**Land Registry**
Property 1 – Block 3	New Materials Park, No. 9 Hezhuang Village, Zibo Economic Development Zone, Zibo City, Shandong Province, PRC	Factory	5,870.09	Self-use	2,140	12,560,000	Attached
					Total (Rounded)	12,560,000	

SUMMARY OF THE PROPERTIES

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 April 2026
2.	Land parcel located at No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province, the PRC (中國山東省桓台縣果里鎮榮東路508號)	Property 2 is comprised of 1-storey factory (Block 1), 4-storey office (Block 2), 1-storey factory (Block 3), 1-storey warehouse (Block 4), 1-storey warehouse (Block 5) and 1-storey warehouse (Block 6). Property 2 has a total land area of approximately 18,900.24 sq.m. and a total gross floor area of approximately 11,262.21 sq.m.. The total gross floor area of the office (the "**Office**"), which is comprised of Block 2, is approximately 2,330.09 sq.m. The total gross floor area of warehouses (the "**Warehouse**"), which are comprised of Block 4, Block 5 and Block 6, is approximately 726.55 sq.m. The total gross floor area of factories (the "**Factory**"), which are comprised of Block 1 and Block 3, is approximately 8,205.57 sq.m.. The Land Use Rights of Property 2 have been granted for a term of 40 years expiring on 29 December 2046 for industrial and office uses. Details of Property 2 are set out in Note below.	The property is for the self-use of the owner as of 30 April 2026.	RMB25,060,000 (RENMINBI TWENTY-FIVE MILLION SIXTY THOUSAND ONLY)

Notes:

1. Pursuant to a Real Estate Ownership Certificate, Document No.: Lu (2025) Huantai Xian Bu Dong Chan Quan No. 0006075 (魯(2025)桓台縣不動產權證第0006075號), the registered owner of Property 2 is Zhongdian (Shandong) Electric Power Technology Co., Ltd. (中電(山東)電力科技有限公司).

2. Per management of the Company, we noted there is no encumbrance, liens, pledges or mortgages against the property as of the Valuation Date.

3. Property 2 is subject to 1.2% of property tax.

4. In undertaking our valuation of the Office, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Office. Comparables are selected according to the criteria below:

   a. within 50 km from the subject property;

   b. having the same office usage; and

   c. the transaction or asking dates are within 3 months from the Valuation Date.

   Given the comparable properties with type/proposed type of building being the same as the Office, a market value will be derived. Given all of the selected comparables fit the aforesaid criteria, we believe they can make reasonable and appropriate comparison with the Office.

   The unit prices of those comparables are about RMB4,207/sq.m. to RMB6,413/sq.m. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age, building quality, architectural design and floor height in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB4,810/sq.m. for the Office.

5. Construction of the Office is completed and is used as office as of the Valuation Date.

6. The summary of the Office as of the Valuation Date is as follows:

Property	Address	Nature	Gross Floor Area *(sq.m.)*	Status	Unit Price *(RMB/sq.m.)*	Market Value *(RMB)*	Land Registry
Property 2 – Block 2	No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province, the PRC	Office	2,330.09	Self-use	4,810	11,210,000	Attached
					Total (Rounded)	11,210,000	

7. In undertaking our valuation of the Warehouse, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Warehouse. Comparables are selected according to the criteria below:

   a. within 50 km from the subject property;

   b. having the same warehouse usage; and

   c. the transaction or asking dates are within 12 months from the Valuation Date.

   Given the comparable properties with type/proposed type of building being the same as the Warehouse, a market value will be derived. Given all of the selected comparables fit the aforesaid criteria, we believe they can make reasonable and appropriate comparison with the Warehouse.

   The unit prices of those comparables are about RMB2,000/sq.m. to RMB5,714/sq.m. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age, building quality, architectural design and floor height in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB2,010/sq.m. for the Warehouse.

8. Construction of the Warehouse is completed and is used as warehouse as of the Valuation Date.

9. The summary of the Warehouse as of the Valuation Date is as follows:

No.	Address	Nature	Gross Floor Area *(sq.m.)*	Status	Unit Price *(RMB/sq.m.)*	Market Value *(RMB)*	Land Registry
Property 2 – Block 4, 5 & 6	No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province, the PRC	Warehouse	726.55	Self-use	2,010	1,460,000	Attached
					Total (Rounded)	1,460,000	

10. In undertaking our valuation of the Factory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Factory. Comparables are selected according to the criteria below:

    a. within 50 km from the subject property;

    b. having the same factory usage; and

    c. the transaction or asking dates are within 3 months from the Valuation Date.

    Given the comparable properties with type/proposed type of building being the same as the Factory, a market value will be derived. Given all of the selected comparables fit the aforesaid criteria, we believe they can make reasonable and appropriate comparison with the Factory.

The unit prices of those comparables are about RMB1,200/sq.m. to RMB3,625/sq.m.. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age, building quality, architectural design and floor height in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB1,510/sq.m. for the Factory.

11. Construction of the Factory is completed and is used as factory as of the Valuation Date.

12. The summary of the Factory as of the Valuation Date is as follows:

Property	**Address**	**Nature**	**Gross Floor Area** *(sq.m.)*	**Status**	**Unit Price** *(RMB/sq.m.)*	**Market Value** *(RMB)*	**Land Registry**
Property 2 – Block 1 & 3	No. 508, Jurong East Road, Guoli Town, Huantai County, Shandong Province, the PRC	Factory	8,205.57	Self-use	1,510	12,390,000	Attached
					Total (Rounded)	12,390,000	

1. TAXATION OF SECURITY HOLDERS

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) (the "**IIT Law**"), which was last amended by the Standing Committee of the National People's Congress (the "**SCNPC**") on 31 August 2018 and came into effect on 1 January 2019, and the Implementation Provisions 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》) (the "**Implementation Regulations of the IIT Law**"), which was last amended by the State Council on 18 December 2018 and came into effect on 1 January 2019, individual income tax shall be payable at a rate of 20% on dividends received by individuals. Resident individuals shall pay individual income tax in accordance with the provisions of this Law for the income derived within and outside China. Non-resident individuals shall pay individual income tax in accordance with the provisions of this Law for the income derived in China.

According to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》), which was promulgated by the STA on 28 June 2011 and came into effect on the same day, the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China and the tax arrangements between Mainland and Hong Kong (Macau) Special Administrative Region. Since the tax rate for dividends under the above tax agreements and tax arrangements is generally 10% and there are many shareholders, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) if the individual who receives dividends and bonuses is a citizen from countries under agreements to be entitled to tax rates lower than 10%, the withholding agents will file applications in accordance with stipulations on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld tax amounts will be refunded; (2) if the individual who receives dividends and bonuses is a citizen from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividend (bonus), and are not obligated to file an application; (3) if the individual who receives dividends and bonuses is a citizen from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividend.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**") last amended by the SCNPC and implemented on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) last amended by the State Council on 6 December 2024 and implemented on 20 January 2025, the tax rate for corporate income tax is 25%. A non-resident enterprise is subject to a 10% EIT on mainland China-sourced income, if such

non-resident enterprise does not have an establishment or place of business in the mainland China or has an establishment or place of business in the mainland China but the mainland China-sourced income is not actually connected with such establishment or place of business in the mainland China. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment to non-resident enterprises every time it is paid or due.

Pursuant to the Notice on the Issues Concerning Withholding the EIT on the Dividends Paid by Chinese Resident Enterprises to H Shareholders that are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the SAT on 6 November 2008, the PRC resident enterprises are required to withhold EIT at a unified rate of 10% on dividends of 2008 and onwards paid to H Shareholders that are overseas non-resident enterprises.

Pursuant to the Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (Guo Shui Han [2009] No. 394) (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》(國稅函[2009] 394號)) issued by the SAT on 24 July 2009, a PRC-resident enterprise listed within or outside the PRC by issuing stocks (including A shares, B shares and overseas shares) is required to withhold EIT at a unified rate of 10% on dividends of 2008 and onwards paid to non-resident enterprise shareholders. Non-resident enterprise shareholders shall follow relevant provisions executed by tax treaty where they need to enjoy the treatment of tax treaty.

According to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed between the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China on 21 August 2006 and effective from 8 December 2006, resident living in either region who receives dividends distributed by an enterprise from the other region shall be subject to tax of the other region. However, if the enterprise distributing the dividends is located at the same region of the resident, the taxation law of that region shall apply. If the individual receiving the dividend is the resident of the other region, the taxation amount shall not exceed: (i) 5% of the total dividend in case the individual receiving the dividends directly owns at least 25% of the capital of the enterprise distributing the dividends; (ii) 10% of the total dividend in other circumstances. According to the Fourth Protocol to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第四議定書》), which was signed between the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China on 1 April 2015 and effective from 29 December 2015, the relevant provisions shall not apply if the generation or allocation of the income rights and interests involved is arranged by any person with the principal purpose of obtaining benefits under the aforementioned provisions. The dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)) promulgated on 20 February 2009 and effective on the same date.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or made adjustments for the avoidance of double taxation with the PRC might be entitled to a

reduction of the enterprise income tax imposed on the dividends received from PRC resident enterprises. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including the Hong Kong Special Administrative Region of China, the Macao Special Administrative Region of China, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxes on Share Transfer

Value-added tax and local surcharges

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Full Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (Cai Shui [2016] No. 36) (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》(財税 [2016] 36號)) (collectively referred to as the "**Notice No. 36**"), promulgated by the MOF and the SAT on 23 March 2016 and implemented on 1 May 2016, entities and individuals that provide services within the PRC are required to pay value-added tax ("**VAT**"). "Provision of services within the PRC" refers to cases where either the service provider or the service recipient is located in the PRC. Notice No. 36 further stipulates that, for general or foreign VAT taxpayers, the transfer of financial products (including the transfer of ownership of securities) is subject to VAT at the rate of 6% on taxable income, being the balance of the selling price over the purchase price. However, pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Several Exemption Policies for Business Tax on Individual Financial Product Transactions (《財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知》) effective from 1 January 2009, and the Provisional Regulations on Transitional Policies for the Pilot Programme of Replacing Business Tax with Value-added Tax (《營業税改徵增值税試點過渡政策的規定》) issued by the MOF and the SAT, which took effect on 1 May 2016 and partially expired on 1 July 2017 and 1 January 2018, individuals are exempt from VAT on the transfer of financial products. Under these regulations, if the holder is a non-resident individual, the sale or disposal of H shares is exempt from PRC VAT.

In addition, VAT taxpayers are also required to pay urban maintenance and construction tax, education surcharge and local education surcharge (collectively, the "**local surcharges**"), which are generally levied at 12% of the actual amount of VAT, business tax and consumption tax (if any) payable in urban areas of the PRC.

Income Tax

Individual investors

According to the IIT Law and the Implementation Regulations of the IIT Law, income derived by individuals from the transfer of securities or equity interests is regarded as income from property transfer and is subject to individual income tax at a rate of 20%.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Continuing Temporary Exemption From Individual Income Tax on the Income From Stocks Transfer (《財政部、國家税務總局關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61) promulgated by the MOF and the SAT on 30 March 1998 and implemented on the same date, since 1 January 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law and its implementing

rules, the SAT did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

According to the Circular on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) (Cai Shui [2009] No. 167) jointly promulgated by the MOF, the SAT and the China Securities Regulatory Commission ("**CSRC**") on 31 December 2009 and implemented on the same date, individuals' income from the transfer of the shares of listed companies obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from the individual income tax, except for the relevant restricted shares as defined in the Supplementary Circular of the Ministry of Finance, the State Administration of Taxation, and the CSRC on Issues Concerning the Levy of Individual Income Tax on Income from the Transfer of Restricted Shares of Listed Companies (《財政部、國家税務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprises listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise Investors

According to the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date.

Stamp Duty

According to the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花税法》) promulgated by the Standing Committee of the NPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC are taxpayers of stamp duty and shall pay stamp duty in accordance with the provisions of this law. Entities and individuals that issue taxable certificates outside the territory of PRC to be used within the territory of the PRC shall pay stamp duty in accordance with the provisions of this law.

2. MAJOR TAXES OF THE COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to the EIT Law, enterprises established in the PRC and other organisations deriving income (collectively referred to as "**enterprises**") are subject to enterprise income tax in accordance with such law at a statutory tax rate of 25%.

Enterprises are categorised as resident enterprises and non-resident enterprises. A non-resident enterprise that does not establish an establishment or place of business in the PRC, or that has established such establishment or place of business but whose income is not effectively connected with such establishment or place of business, is subject to enterprise income tax on its income derived from sources within the PRC on a withholding basis, with the payer of the income acting as the withholding agent. The tax shall be withheld by the withholding agent from each payment or amount payable at the time of payment or when such payment becomes due. In addition, any gain derived by investors

from the transfer of shares is subject to enterprise income tax. Where such gain is regarded as income derived from the transfer of assets within the PRC, it shall be subject to withholding tax.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) (the "**Temporary Regulations on Value-added Tax**") promulgated and latest amended by the State Council on 19 November 2017 and implemented on the same date, and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) promulgated and latest amended by the Ministry of Finance on 28 October 2011 and implemented on 1 November 2011, any entity or individual engaged in the sale of goods or the provision of processing, repair and replacement services, as well as the sale of services, intangible assets, real estate, or the importation of goods within the PRC, is a value-added tax taxpayer and shall pay VAT in accordance with such regulations. Taxpayers engaged in the sale of services are subject to VAT at a rate of 6%, while taxpayers engaged in the sale of goods are subject to VAT at a rate of 17%, unless otherwise stipulated.

According to the Implementation Measures for the Pilot Program on Replacing Business Tax with Value-Added Tax (《營業税改徵增值税試點實施辦法》) issued by the Ministry of Finance and the State Administration of Taxation on 23 March 2016, and effective on 1 May 2016, taxpayers engaging in taxable activities shall pay a 6% value-added tax, unless otherwise specified in these Implementation Measures. Pursuant to the provisions of the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財務部、國家税務總局關於調整增值税税率的通知》(CAI Shui [2018] No. 32)) promulgated by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and effective on 1 May 2018, the original VAT tax rates of 17% and 11% applicable to the taxpayers who engage in VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. Pursuant to the provisions of the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 of 2019 by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs) (《關於深化增值税改革有關政策的公告》(財政部、税務總局、海關總署公告2019年第39號)) promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and effective on 1 April 2019, the original VAT tax rate of 16% applicable to the general VAT taxpayers who engage in VAT taxable sales activities or imported goods is adjusted to 13%, and the original VAT tax rate of 10% applicable to such taxpayers is adjusted to 9%.

The Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值税法》) (not yet effective, hereinafter referred to as the "**VAT Law**"), promulgated by the Standing Committee of the National People's Congress on 25 December 2024, will take effect on 1 January 2026. Upon its implementation, the Temporary Regulations on Value-added Tax will be repealed. According to the VAT Law, entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets, or real estate (hereinafter referred to as taxable transactions), as well as import goods, are taxpayers of value-added tax and shall pay value-added tax in accordance with the provisions thereof. VAT rates shall be as follows: (1) taxpayers who sell goods, provide processing, repair, and maintenance services, leasing services for tangible movable assets or import goods shall be subject to VAT of 13%, unless otherwise prescribed by Item (2), Item (4) or Item (5) of this article. (2) unless otherwise prescribed by Item (4) or Item (5) of this article, taxpayers shall be subject to VAT of 9% if they sell transportation services, postal services, basic telecommunications services, construction services or real estate leasing services, sell real estate, transfer land-use rights, or sell or import any of the following goods: 1. Grains, edible vegetable oil or edible salt; 2. Tap water, heating, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, dimethyl ether, bog

gas or residential coal products; 3. Books, newspapers, magazines, audio-visual products or electronic publications; 4. Feeds, fertilizers, pesticides, agricultural machinery or plastic films for agricultural use. (3) Taxpayers who sell services or intangible assets shall be subject to VAT of 6%, unless otherwise prescribed by Item (1), Item (2) or Item (5) of this article. (4) Taxpayers who export goods shall be subject to zero-rated VAT, unless otherwise prescribed by the State Council; and (5) Domestic entities and individuals who engage in cross-border sales of services or intangible assets that are within the scope prescribed by the State Council shall be subject to zero-rated VAT.

3. FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") lastly amended by the State Council on 5 August 2008 and effective on the same day, payments of current account items, such as profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China. The PRC does not impose restrictions on international payments and transfers under current account items.

Pursuant to the Public Announcement of the PBOC on Improving the Reform of the Renminbi Exchange Rate Regime (PBOC Public Announcement (2005) No. 16) (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) issued by the PBOC on 21 July 2005 and effective on the same day, the PRC began to implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies since 21 July 2005. Therefore, the RMB exchange rate was no longer pegged to the U.S. dollar only, and a more flexible Renminbi Exchange Rate Regime was formed. The PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the RMB exchange rate on the following working day.

Pursuant to the Foreign Exchange Control Regulations, Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply. In the event that international balance of payment suffers or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50) which was promulgated and implemented by the State Council on 23 October 2014, the State Council has decided to cancel the examination and approval by the SAFE and its branches for the remittance and settlement of proceeds raised from the overseas listing of the foreign shares.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on 26 December 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of the State Administration of Foreign Exchange at the place of its establishment. The funds raised by the domestic company from overseas listing may be repatriated or be deposited overseas. The use of such funds shall be

consistent with those listed in the document documentation for shares or the document documentation for corporate bonds, circulars to shareholders, resolutions of the Board of Directors or the general meetings and other public disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of 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) (Hui Fa [2015] No. 13) promulgated by the SAFE on 13 February 2015 and implemented on 1 June 2015, two administrative approval items, namely the approval for foreign exchange registration under domestic direct investment and the approval for foreign exchange registration under overseas direct investment, have been cancelled. Instead, banks shall directly examine and handle the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular on Reforming and Regulating Policies on the Control 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) (Hui Fa [2016] No. 16) which was promulgated by the SAFE and implemented on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix summarizes certain aspects of the laws and regulations of Mainland China which are relevant to our Company's operations and business. Laws and regulations relating to taxation in Mainland China are discussed separately in "Appendix IV – Taxation and Foreign Exchange" to this Document. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this Document.

THE PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) (the "**Constitution**"), and is made up of laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents. However, prior guiding cases that the Supreme People's Court released are of reference and exemplary value.

According to the Constitution and the Legislation Law of the People's Republic of China (Revised 2023) (《中華人民共和國立法法(2023修正)》) (the "**Legislation Law**"), the National People's Congress (the "**NPC**") and the Standing Committee of the National People's Congress (the "**SCNPC**") are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments shall not be in conflict with the basic principles of such laws. The NPC may authorize the SCNPC to enact relevant laws.

The State Council of the People's Republic of China (the "**State Council**"), the central people's government, is the executive organ of the supreme organ of state power and the highest organ of administration in PRC. The State Council has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative regions, provided that such local regulations do not contravene the Constitution, laws or administrative regulations.

The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection, historical and cultural protection, grassroots governance, etc. based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene the Constitution, laws and administrative regulations and the relevant local regulations of their respective provinces or autonomous regions. The formulation of local regulations of cities divided into districts shall be submitted to the standing committees of the people's congresses of provinces or autonomous regions for approval before implementation.

People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, the National Audit Office, institutions with administrative functions directly under the State Council and the institutions stipulated by the law may formulate rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures within such administrative areas. Departmental rules have the same effect as between themselves, and as between them and local government rules, and are implemented within their respective areas of authority.

Where adaptations of relevant laws, administrative regulations and local regulations are made in autonomous regulations or separate regulations in accordance with the law, those provisions in the autonomous regulations or separate regulations shall prevail in the autonomous areas concerned. Where adaptations of relevant laws, administrative regulations, or local regulations are made in special economic zone regulations on the basis of an authorization, those provisions of the special economic zone regulations shall prevail in the special economic zones concerned.

The NPC has the power to alter or abrogate any inappropriate laws enacted by its committee, and to abrogate any autonomous regulations and separate regulations as approved by its committee which contravene the Constitution or the Legislation Law. The SCNPC has the power to abrogate any administrative regulations that contravene the Constitution or laws, to abrogate any local regulations that contravene the Constitution, laws or administrative regulations, and to abrogate any autonomous regulations and separate regulations which have been approved by the SCNPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but contravene the Constitution or the Legislation Law. The State Council has the power to alter or abrogate any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or abrogate any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of the local people's congresses have the power to abrogate inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or abrogate any inappropriate rules enacted by the people's governments at a lower level. The authorising authorities have the power to abrogate any regulations enacted by the authorised authorities that transcends the authorised powers or contravenes the purpose of such authorisation, and may revoke such authorisation when necessary.

The power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) issued by the SCNPC on 10 June 1981 and becoming effective on the same date, issues related to the further clarification or supplement of laws and decrees shall be interpreted or provided by the SCNPC through decrees, issues related to the specific

application of laws and decrees in a court trial shall be interpreted by the Supreme People's Court of the People's Republic of China (the "**Supreme People's Court**"), and issues related to the specific application of laws and decrees in the procuratorial work shall be interpreted by the Supreme People's Procuratorate of the People's Republic of China (the "**Supreme People's Procuratorate**"). If there are differences in principle in the interpretation of the Supreme People's court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision, and issues related to the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be interpreted by the State Council and the competent authorities. Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which have enacted these regulations shall provide the interpretations or make the stipulations. Issues related to the specific application of local regulations shall be interpreted by the competent departments of the people's governments of provinces, autonomous regions and municipalities directly under the central government.

The PRC Judicial System

Under the Constitution and the PRC Law on the Organization of the People's Courts (Revised in 2018) (《中華人民共和國人民法院組織法》(2018年修訂)), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

The Supreme People's Court shall be the highest judicial organ. The local people's courts at all levels are divided into the higher people's courts, the intermediate people's courts and the basic people's courts. Special people's courts include military courts, maritime courts, intellectual property courts and financial courts. The Supreme People's Court supervises the trial of the local people's courts at all levels and the special people's courts. People's courts of higher level supervise the trial of people's courts of lower level.

According to the Civil Procedure Law of the PRC (Revised in 2023) (《中華人民共和國民事訴訟法(2023修正)》) (the "**PRC Civil Procedure Law**"), each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. Jurisdiction over civil cases shall be exercised by the people's courts. In dealing with the civil actions arising from disputes on property and personal relations between citizens, legal persons or other organizations and among citizens, legal persons and other organizations, the people's courts shall apply the provisions of the PRC Civil Procedure Law.

A foreign individual, a person without nationality, a foreign enterprise and a foreign organization shall have the same litigation rights and obligations as a PRC citizen, legal person and other organizations when initiating or defending any proceedings at a people's court. If the courts of a foreign country impose restrictions on the civil litigation rights of the PRC citizens, legal persons and other organizations, the people's courts of the PRC shall follow the principle of reciprocity regarding the civil litigation rights of the citizens, enterprises and organizations of that foreign country.

If any party to a civil action refuses to comply with civil judgments, rulings, mediation statements and other legal documents that have taken legal effect and should be enforced by the people's courts, as well as awards made by arbitration institutions established in accordance with the law, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement.

A party seeking to enforce a legally effective judgment or ruling made by a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling.

Alternatively, the people's court may, pursuant to the provisions of an international treaty concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request the foreign court to recognise and enforce the judgment or ruling.

If a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by the people's court, the party concerned may directly apply for recognition and enforcement to the intermediate people's court with jurisdiction. Alternatively, the foreign court may, pursuant to the provisions of an international treaty concluded between or acceded to by the foreign state and the PRC or in accordance with the principle of reciprocity, request the people's court to recognise and enforce the judgment or ruling.

The Company Law, Overseas Listing Trial Measures and Guidelines for Articles of Association

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations:

- The Company Law of the People's Republic of China (2023 Revision) (the "**Company Law**") which was promulgated by the SCNPC on 29 December 1993, came into effect on 1 July 1994, revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023 respectively and the latest revision of which was implemented on 1 July 2024;

- The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Overseas Listing Trial Measures**") which was issued on 17 February 2023 and implemented on 31 March 2023 by the CSRC; and

- The Guidelines for the Articles of Association of Listed Companies (the "**Guidelines for Articles of Association**") which was latest amended and implemented by the CSRC on 28 March 2025.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with independent legal person property and enjoying the right to legal person property. A joint stock limited company shall be liable for the debts of the company with all its property. Shareholders of a joint stock limited company shall be liable to the company to the extent of the shares they have subscribed for.

The establishment of a joint stock limited company shall be subject to the formulation of Articles of Association in accordance with the law. These Articles of Association shall be binding on the company, its shareholders, directors, supervisors and senior management members.

A joint stock limited company shall have its own name, which shall comply with the relevant provisions of the State. A joint stock limited company established under the Company Law shall include in its name the words "Joint Stock Limited Company" or "Joint Stock Company".

In conducting its business activities, a joint stock limited company shall comply with laws and regulations, observe social ethics and commercial morality, act in good faith and accept supervision by the government and the general public.

Incorporation

A joint stock limited company may be incorporated by way of promotion or share offering.

A joint stock limited company shall be incorporated by a minimum of two promoters while the maximum number thereof shall be 200, and more than half of the promoters must be domiciled within the PRC. To establish a joint stock limited company, the promoters shall jointly formulate the Articles of Association.

For a joint stock limited company incorporated by way of promotion, the promoters shall subscribe for the full amount of shares to be issued upon the establishment of the company as provided for in the Articles of Association. Where a joint stock limited company is incorporated by share offering, shares subscribed for by the promoters shall not be less than 35% of the total number of shares to be issued when the company is established as stipulated in its Articles of Association, unless otherwise provided by laws or administrative regulations. The promoters shall pay the subscription monies in full for the shares they have subscribed for before the company is incorporated.

The promoters of a joint stock limited company incorporated by way of share offering must convene an inaugural meeting within 30 days after the issued shares to be issued when the company is established have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting shall be held only when the subscribers holding more than half of the voting rights are present. The convening and voting procedures of the inaugural meeting of a joint stock limited company incorporated by way of promotion shall be stipulated in the company's Articles of Association or the agreement among the promoters.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall authorize a representative to apply to the registration authority for registration of the establishment of the company.

Registered Capital

Shareholders of a joint stock limited company may make a capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights, land use rights, equity rights or creditors' rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations.

Non-monetary assets contributed as capital shall be valued and verified, and shall not be over-valued or under-valued. Where laws or administrative regulations have provisions on valuation, such provisions shall prevail.

Shareholder of a joint stock limited company who fails to make any full payment for the shares on time shall be liable to compensate any loss incurred to the company in addition to payment for the shares in full amount.

Issuance of Shares

The capital of a joint stock limited company shall be divided into shares. All shares issued by the company shall be either par value or no-par value shares as specified in the company's Articles of Association. For shares with par value, each share has an equal amount. Shares shall be issued on a fair and equitable basis and each share of the same class shall carry the same rights. Shares of the same class issued at the same time shall be issued on the same terms and at the same price per share, and subscribers shall pay the same price for each share they subscribe.

Shares of a joint stock limited company shall be in the form of share certificates. Share certificates are certificates issued by the company evidencing the shares held by the shareholders. Share certificates issued by the company are registered share certificates. The issuance price of par value shares may be based on the par value or may exceed the par value, but shall not be less than the par value.

The share certificates shall be in paper form or in other forms prescribed by the securities regulatory authority of the State Council. The share certificates issued in paper form shall contain the following major particulars: (1) the name of the company; (2) the date of incorporation of the company or issuance date of the share certificates; (3) the class of share certificates, par value and number of shares represented. For shares issued with no par value, the number of shares represented by the share certificates. If share certificates are in paper form, the certificate number shall also be specified, and they shall be signed by the legal representative and affixed with the seal of the company. The share certificates of the promoters in paper form shall be marked with the words "promoters' shares". After the incorporation of the joint stock limited company, share certificates shall be formally delivered to shareholders. Share certificates shall not be delivered to shareholders prior to the company's incorporation.

Where a joint stock limited company intends to issue new shares, its general meeting shall make a resolution about the following matters: (1) the class and amount of the new shares; (2) the issuing price of the new shares; (3) the beginning and ending dates for the issuance of the new shares; (4) the class and amount of the new shares to be issued to the original shareholders; and (5) if any no par value stock is issued, the proceeds from the issuance of the new shares shall be included into the registered capital. Where a company intends to issue new shares, it may make a pricing plan according to its business operations and financial condition.

Where a joint stock limited company intends to make public offering of shares, it shall go through the registration with the securities regulatory authority of the State Council and announce the document. The document shall be accompanied by the Articles of Association and shall contain the following matters: (1) the total number of shares to issue; (2) the nominal value and issue price of shares with par value or the issue price of shares with no par value; (3) the use of proceeds; (4) rights and obligations of the subscribers; (5) class of shares and their rights and obligations; (6) commencement and end dates of the offering and the explanation that the subscribers may withdraw their subscribed shares if the shares are not fully subscribed within the time limit. Where a company issues shares at the time of its establishment, the number of shares subscribed by the promoters shall also be specified.

Where a joint stock limited company intends to make public offering of shares, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A company offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. An announcement shall be made after the company has raised the full amount of the subscription monies for the shares to be issued.

Increase in Registered Capital

When a joint stock limited company issues new shares for the purpose of increasing its registered capital, the shareholders shall not be entitled to pre-emptive rights, unless otherwise provided by the Articles of Association or resolved by a resolution of the general meeting that the shareholders shall be entitled to pre-emptive rights.

When a joint stock limited company issues new shares for the purpose of increasing its registered capital, the subscription of new shares by shareholders shall be governed by the relevant provisions on the payment of stock capital for the establishment of a joint stock limited company.

Reduction of Registered Capital

When a joint stock limited company needs to reduce its registered capital, it shall prepare a balance sheet and an inventory of property. The company shall inform its creditors within 10 days from the date of resolution of the general meeting on reduction in registered capital, and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days. The creditors have the right to demand the company to settle the debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if the notice has not been received. When a company reduces its registered capital, it shall reduce its capital contribution or shares in proportion to the capital contributions or shares held by shareholders, except as otherwise provided by laws or agreed upon by all the shareholders of a limited company or the Articles of Association of a joint stock limited company.

Repurchase of Shares

A joint stock limited company may not repurchase its own shares other than for the following purposes: (1) reducing its registered capital; (2) merging with other companies which hold its shares; (3) carrying out an employee stock ownership plan or equity incentive plan; (4) acquiring its shares at the request of its shareholders who vote in a general meeting against a resolution regarding a merger and division; (5) utilising the shares for conversion of corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of its own shares on the grounds set out in item (1) to (2) above shall be approved by way of a resolution of a general meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above may be approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the company's Articles of Association or the authorization of the general meeting. Following the acquisition by a company of its own shares in accordance with these requirements, such shares shall be canceled within 10 days from the date of the acquisition under the circumstance in item (1); such shares shall be transferred or canceled within six months under the circumstances in items (2) or (4); the total shares held by the company shall not exceed 10% of the total amount of shares issued by the company and such shares shall be transferred or canceled within three years under the circumstances in items (3), (5) or (6). A listed company shall perform its information disclosure obligations in accordance with the provisions of the Securities Law of People's Republic of China (the "**Securities Law**") when acquiring its own shares. The acquisition by a listed company of its own shares in circumstances as set out in items (3), (5) and (6) aforesaid shall be conducted through open centralized trading. The company shall not accept the equity rights of the company as the subject of pledge.

Transfer of Shares

The shares of a joint stock limited company held by its shareholders may be transferred to other shareholders or to persons other than its shareholders. Where there are restrictions on the transfer of the shares under the Articles of Association of the company, such transfer shall comply with the relevant provisions. A shareholder should effect a transfer of his/her shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share

register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws, administrative regulation or the securities regulatory authority of the State Council on the changes in the share register of listed companies.

Shares which have been in issue before a joint stock limited company's public offering shall not be transferred within one year from the date of such joint stock limited company's listing on a stock exchange. If any laws, administrative regulations or the securities regulatory authority under the State Council provide otherwise for the shareholders or de facto controllers of listed companies to transfer their shares of the company held, such provisions shall prevail. The directors, supervisors and senior management of the company shall declare to the company their holdings of the company's shares and the changes therein, and shall not transfer more than 25% of the total number of shares of the company held by them in each year of the period of service determined at the time of their assumption of their office; and the shares held by them shall not be transferred within one year from the date of listing and trading of the company's shares. The shares of the company held by the aforesaid persons may not be transferred within six months after their departure from office. The Articles of Association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. Where the shares were pledged within the lock-up period as prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge rights during such lock-up period.

The General Meeting

The general meeting of a joint stock limited company is made up of all shareholders. The general meeting is the organ of authority of a company and shall exercise its functions and powers in accordance with the Company Law.

The general meeting of a joint stock limited company exercises the following functions and powers:

(1) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

(2) to examine and approve reports of the board of directors;

(3) to examine and approve reports of the supervisory committee;

(4) to examine and approve a company's profit distribution plans and loss recovery plans;

(5) to resolve on the increase or reduction of a company's registered capital;

(6) to resolve on the issuance of corporate bonds;

(7) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(8) to amend the Articles of Association;

(9) other functions and powers specified in the provisions of the Articles of Association.

The general meetings of a joint stock limited company are required to be held every year. An extraordinary general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(1) the number of directors is less than the number stipulated herein or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses amount to one-third of the total paid-up share capital;

(3) shareholders individually or jointly holding 10% or more of the company's shares request;

(4) when deemed necessary by the board of directors;

(5) the supervisory committee proposes to convene the meeting;

(6) other circumstances as stipulated in the Articles of Association.

The general meeting of a joint stock limited company shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman of the board of directors is incapable of performing or not performing his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory committee shall convene and preside over the general meeting in a timely manner. If the supervisory committee fails to convene and preside over the general meeting, shareholders individually or jointly holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over the general meeting.

If the shareholders who individually or jointly hold more than 10% of the shares of the company request to convene an extraordinary general meeting, the board of directors and the supervisory committee should, within 10 days after the receipt of such request, decide whether to hold an extraordinary general meeting and reply to the shareholders in writing.

Notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the board of directors in writing 10 days before the general meeting. The interim proposals shall have clear subject and specific matters for resolution. The board of directors shall notify other shareholders within 2 days after receiving the proposal, and submit the interim proposal to the general meeting for consideration, except where the interim proposal is in violation of laws, administrative regulations or the provisions of the Articles of Association, or does not fall into the terms of reference of the general meeting. The company shall not increase the shareholding ratio requirements on shareholders proposing interim proposals. A company offering shares to the public shall make the notices as mentioned in the preceding paragraphs by way of announcement. The general meeting shall not make resolutions on matters not specified in the notice.

Shareholders of a joint stock limited company present at general meeting shall have one vote for each share they hold, except the shareholders of classified shares. The company may not have a voting right for the shares it holds. The passing of any resolution at the shareholder's

meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the meeting, except in cases of proposed amendments to the Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the shareholder's meeting.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting of a joint stock limited company pursuant to the articles of association of the company or a resolution of the general meeting. Under the aforementioned accumulative voting system, when the general meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Minutes shall be prepared in respect of matters considered at the general meeting of a joint stock limited company and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A joint stock limited company shall have a board of directors. A joint stock limited company with a relatively small scale or relatively small number of shareholders may dispense with the board of directors and have one director to exercise the functions and powers of the board of directors as prescribed by the Company Law.

The board of directors of a joint stock limited company may exercise the following powers:

(1) to convene general meeting and report on its work to the general meeting;

(2) to implement the resolutions passed by the shareholders at the general meeting;

(3) to decide on the company's operational plans and investment proposals;

(4) to formulate the company's proposals for profit distribution and for recovery of losses;

(5) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(6) to formulate proposals for the merger, division, dissolution of the company or change in the form of the company;

(7) to decide on the setup of the company's internal management organs;

(8) to decide on appointment or dismissal the manager of the company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the company's deputy manager and financial officer and his/her remuneration matters;

(9) to formulate the company's basic management system;

(10) other authority stipulated in the Articles of Association or granted by the general meeting.

The board of directors of a joint stock limited company shall comprise no less than three members, among whom may be representatives of the company's employees. In the case of a limited company with three hundred or more employees, except when a supervisory committee has been established including a number of employee representatives among its members as required by law, the company's board of directors shall include employee representatives among its members. An employee representative on the board of directors shall be elected by the company's employees through the employee representative assembly, employee assembly, or other forms of democratic elections.

The term of a director shall be stipulated in the Articles of Association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the Articles of Association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum. If a director resigns, he/she shall notify the company in writing. The resignation shall take effect on the date the company receives the notice. However, if the circumstances as prescribed above exist, the director shall continue to perform his/her duties.

The general meeting may remove any director through resolutions, effective as of the date when the resolutions take effect. Where a director is removed before expiration of his/her term of office without justifiable reasons, the director may demand indemnification from the company.

Meetings of the Board of Directors

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings are convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory committee. The chairman of the board of directors shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting.

Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the Articles of Association or resolutions of the general meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

The Chairman of the Board of Directors

The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over meetings of the board of directors and review the implementation of resolutions of the board of directors. The vice chairman shall

assist the chairman to perform his/her duties. In the event that the chairman cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting.

Manager and Senior Management

A joint stock limited company shall have a manager, who shall be appointed or dismissed by the board of directors. The manager is accountable to the board of directors and exercises his or her powers in accordance with the provisions of the Articles of Association or the authorization of the board of directors. The manager attends the board meeting as an observer.

Senior management personnel shall refer to the company's manager, deputy manager, financial officer, the secretary of the board of directors of listed companies, and other personnel as stipulated in the Articles of Association.

Qualifications and Obligations of Directors, Supervisors and Senior Management

None of the following persons may serve as directors, supervisors or other senior management of the company:

(1) persons without capacity or with limited capacity for civil acts;

(2) persons who were sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the socialist market economic order, or who have been deprived of political rights due to any criminal offenses, where less than five years have lapsed since the expiration of the execution period, those who were ordered for a probational period, less than two years since the lapse of the probational period;

(3) persons who served as directors, or factory directors or managers, who bear personal liability for the bankruptcy liquidation of their companies or enterprises, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation of their companies or enterprises;

(4) persons who served as the legal representative of a company or an enterprise of which the business license was revoked and was ordered to close down due to violation of laws and who was personally liable for such revocation and order, where less than three years have lapsed since the date of the revocation of the business license or being ordered to be closed down;

(5) persons who have a substantial amount of personal debts due and unsettled and declared by the People's Court as a judgement defaulter.

Any election, appointment of a director, supervisor or engagement of senior management in violation of the preceding paragraph shall be invalid. The company shall dismiss any director, supervisor, senior management who fall within any of the circumstances during his term of office.

Director, supervisor, senior management shall observe laws, administrative regulations and the Articles of Association.

Director, supervisor, senior management shall fulfill the obligations of loyalty to the company, take measures to avoid conflicts between their own interests and the interests of the company, and not pursue for improper benefits by taking advantage of their positions. Director,

supervisor, senior management owe towards the company obligations of diligence, and exercise reasonable care to maximize the gain of the company when performing their duties. Where a controlling shareholder or de facto controller of the company does not act as a director of the company but actually carries out the affairs of the company, the foregoing provisions shall apply.

Directors, supervisors, senior management shall not engage in the following acts:

(1) misappropriating the company's properties or divert the assets of the company;

(2) depositing any capital of the company in any amounts into accounts under their own name or the name of other individuals;

(3) abusing their powers to take bribes or other unlawful income;

(4) accepting, and keeping in their possession, commissions for the transactions between others and the company;

(5) disclosing the company's secrets without authorization;

(6) committing other acts in violation of their obligation of loyalty to the company.

Where a director, supervisor or member of senior management enters into a contract or transaction with the company, whether directly or indirectly, such person shall report to the board of directors or the general meeting on matters related to the contract or transaction, and obtain approval through a resolution passed by the board of directors or the general meeting in accordance with the Company's Articles of Association.

No directors, supervisors, senior management may exploit their position to seize corporate opportunities for themselves or others. However, this prohibition shall not apply in any of the following circumstances: (1) having reported to the board of directors or the general meeting and obtained approval through a resolution passed in accordance with the Company's Articles of Association; (2) the company is unable to utilise such corporate opportunity under applicable laws, administrative regulations or the provisions of its Articles of Association.

If a director, supervisor, senior management violates the provisions of laws, administrative regulations, or departmental regulations while performing his duties and causes losses to the company; he shall bear the liability for compensation.

Audit Committee and Other Special Committees

A joint stock limited company may, as stipulated in its Articles of Association, establish an audit committee within the board of directors composed of directors to exercise the functions and powers prescribed for the board of supervisors by the Company Law, without establishing a board of supervisor or supervisor. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the Articles of Association, unless it is otherwise provided under the Company Law. A company may set up other committees in the board of directors under the Articles of Association.

Finance and Accounting

The company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the law. The financial and accounting report shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if its statutory reserve fund has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profits, it may also make an allocation to the discretionary reserve fund from its after-tax profits upon a resolution of the general meeting. The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the Articles of Association. Shares held by the company shall not be entitled to any distribution of profits.

The premium over the nominal value of the shares of the company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company. The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve fund and statutory reserve fund shall be firstly used. If losses still cannot be made up, the capital reserve fund can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounting books other than those provided by law. Its funds shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

The appointment and dismissal of accounting firm responsible for the auditing of the company shall be determined by the general meeting, the board of directors or the supervisory committee. The accounting firm shall be allowed to state its views when the general meeting, the board of directors or the supervisory committee of the company conducts a vote on the dismissal of the accounting firm.

The company shall provide the true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information to the engaged accounting firm, and it shall not refuse or withhold any such information nor shall it provide any false information.

Merger and Division

Company mergers may take the form of merger by absorption or merger by consolidation. Where one company absorbs other companies, this constitutes merger by absorption, and the absorbed companies shall be dissolved. Where two or more companies merge to establish a new company, this constitutes merger by consolidation, and all merging parties shall be dissolved.

Dissolution and Liquidation

The company shall be dissolved for the following reasons:

(1) expiry of the business term stipulated in the Articles of Association or occurrence of other dissolution events stipulated in the Articles of Association;

(2) resolution by the general meeting to dissolve;

(3) dissolution required due to company merger or division;

(4) revocation of business licence, order to close down or cancellation in accordance with law;

(5) where the company is dissolved by the People's Court in accordance with Article 231 of the Company Law.

Where the company falls under the grounds for dissolution specified in the preceding paragraph, it shall disclose such grounds through the National Enterprise Credit Information Publicity System within ten days.

In the event of paragraphs (1) and (2) above, the company may carry on its existence by amending its Articles of Association if no property has been distributed to any shareholder. The amendments to the Articles of Association in accordance with the provisions described above or resolutions passed by the general meeting shall require the approval of more than two-thirds of voting rights of shareholders attending a general meeting.

Where the company is dissolved under the circumstances set out in items (1), (2), (4) and (5) above, the company shall be liquidated. The directors are the liquidation obligor of the company, and shall establish a liquidation committee to carry out liquidation within fifteen days from the date when the cause of dissolution occurred. The liquidation committee shall be composed of directors, unless otherwise provided in the Articles of Association or unless others are elected by a resolution of the general meeting. If the liquidation obligor fails to perform its liquidation obligation in a timely manner and causes losses to the company or creditors, they shall be liable for compensation.

Where the company is dissolved under the circumstances set out in items (1), (2), (4) and (5) above, the company shall be liquidated. If a liquidation committee is not established within the prescribed period or the liquidation fails to effect after the establishment of a liquidation committee, the interested party may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

(1) to sort out the company's assets and prepare a balance sheet and an inventory of assets respectively;

(2) to send notices to creditors or notify them by public notice;

(3) to dispose of and liquidate any relevant unfinished business matters of the company;

(4) to pay all outstanding taxes and the taxes arising during the liquidation process;

(5) to settle claims and debts;

(6) to distribute the assets remaining after the company's debts have been repaid;

(7) to represent the company in any civil litigation proceedings.

The liquidation group shall notify the creditors within 10 days of its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their claims to the liquidation group within 30 days of the date on which the notice is received or 45 days of the date of announcement if no notice is received. Creditors who file claims shall state matters relating to their claims with supporting evidence. The liquidation group shall register the creditor's claims. The liquidation group shall not pay off any debts to any creditors during the period of filing of creditor's claims.

After sorting out the company's assets and the preparation of the balance sheet and an inventory of assets, the liquidation group shall formulate a liquidation plan and present it to a general meeting or to the People's Court for confirmation. The assets of the company remaining after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to the Shareholders according to the proportion of their shareholdings. During the liquidation period, the company shall subsist but shall not engage in business activities unrelated to liquidation. The company's assets shall not be distributed to shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

If after sorting out the company's assets and preparing a balance sheet and an inventory of assets, the liquidation group discovers that the company's assets are insufficient to repay the company's debts in full, the liquidation group shall immediately apply to the People's Court for a declaration of insolvency liquidation. After the insolvency application is accepted by the People's Court, the liquidation group shall turn over liquidation matters to the bankruptcy administrator appointed by the People's Court.

The members of the liquidation group shall fulfill their liquidation duties and bear the duties of loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation; and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Following the completion of liquidation, the liquidation group shall prepare a report on liquidation which shall be submitted to the general meeting or the People's Court for confirmation and submit to the company registration authority and apply for cancellation of registration of the company.

Overseas Listing

According to the Interim Measures for Overseas Issuance and Listing, a direct overseas issuance and listing by a domestic enterprise refers to the overseas issuance and listing of a joint-stock limited company established and registered within China. The CSRC supervises and administers the overseas issuance and listing activities of domestic enterprises in accordance with the law. If an issuer conducts an initial public offering or listing overseas, it must file a record with the CSRC within three working days after submitting the application documents for issuance and listing overseas. If the filing materials are complete and comply with the regulations, the CSRC will complete the filing within 20 working days from the date of receiving the materials and publicize the filing information on its website. If the filing materials are incomplete or non-compliant, the CSRC will notify the issuer of the required supplementary materials within five working days of receiving the filing materials. The issuer must supplement the materials within 30 working days.

Lost Stock Certificates

According to the Company Law, if a stock certificate is stolen, lost, or destroyed, the shareholder may, in accordance with the public notice procedure for vindication of claims under the Civil Procedure Law, request the people's court to declare the stock certificate invalid. After the people's court declares the stock certificate invalid, the shareholder may apply to the company for a replacement stock certificate.

Delisting

According to the Securities Law, if a listed security falls under the circumstances for delisting as prescribed by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with its business rules. If a stock exchange decides to terminate the listing and trading of a security, it shall promptly make an announcement and report to the securities regulatory authority under the State Council for the record.

According to the Interim Measures for Overseas Issuance and Listing, if an issuer voluntarily delists or is forced to delist after its overseas issuance and listing, the issuer shall report the specific circumstances to the CSRC within three working days from the occurrence and announcement of the relevant event.

Securities Laws and Regulations

The Securities Law of the People's Republic of China was promulgated by SCNPC on 29 December 1998, and came into effect on 1 July 1999. It has been amended on 28 August 2004; 27 October 2005; 29 June 2013; 31 August 2014; and 28 December 2019. The Securities Law comprises 14 chapters with a total of 226 articles, covering provisions on securities issuance, securities trading, acquisitions of listed companies, information disclosure, investor protection, securities trading venues, securities companies, securities registration and clearing institutions, securities service providers, the securities industry association, securities regulatory authorities, and legal liabilities.

Arbitration and Enforcement of Arbitral Awards

According to the Arbitration Law of the People's Republic of China ("**Arbitration Law**"), revised by the Standing Committee of the National People's Congress on 1 September 2017, and effective as of 1 January 2018, contractual disputes and other disputes over property rights between citizens, legal persons, and other organizations of equal status may be submitted to arbitration. The use of arbitration to resolve disputes requires mutual voluntary agreement between the parties, resulting in an arbitration agreement. If there is no arbitration agreement

and one party applies for arbitration, the arbitration commission shall not accept the case. If the parties have an arbitration agreement and one party initiates litigation in a people's court, the court shall not accept the case, unless the arbitration agreement is invalid.

Arbitration follows a system of finality of awards. After an arbitral award is rendered, if a party applies for arbitration again or initiates litigation in a people's court regarding the same dispute, the arbitration commission or the people's court shall not accept the case. If the award is set aside or enforcement is refused by a people's court in accordance with the law, the parties may, based on a new arbitration agreement reached between them, apply for arbitration again or initiate litigation in a people's court.

A party may apply to the intermediate people's court in the place where the arbitration commission is located to set aside an award if they provide evidence proving any of the following circumstances: (1) there is no arbitration agreement; (2) the matters addressed in the award fall outside the scope of the arbitration agreement or are beyond the authority of the arbitration commission; (3) the composition of the arbitral tribunal or the arbitration procedure violated legal procedures; (4) the evidence on which the award is based was forged; (5) the opposing party concealed evidence sufficient to affect the impartiality of the award; (6) an arbitrator engaged in misconduct, such as soliciting or accepting bribes, engaging in malpractice for personal gain, or perverting the law in rendering the award. If a collegial panel formed by the people's court, after review and verification, finds that any of the circumstances listed in the preceding paragraph exists, it shall rule to set aside the award. If the people's court determines that the award violates public interest, it shall also rule to set aside the award.

Both parties shall comply with an award. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the Civil Procedure Law.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. The Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) was promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) was promulgated by the Supreme People's Court on 27 November 2020 and effective on 27 November 2020. According to such arrangement, awards made by arbitral authorities in

mainland China can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards can also be applied for enforcement in the mainland China.

Judicial Judgment and its Enforcement

Under the Supreme People's Court's Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of mainland China and Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on 3 July 2008 and effective on 1 August 2008 (the "**Arrangement**"), as for an enforceable final judgment made by Courts of PRC and Hong Kong Special Administrative Region concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to courts of mainland China or courts of Hong Kong Special Administrative Region for recognition and enforcement. The term "written agreement on jurisdiction" refers to agreements clearly stipulated in written form by parties concerned that courts of mainland China or courts of Hong Kong Special Administrative Region has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, the party concerned may apply to the Court of mainland China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in courts of mainland China or courts of Hong Kong Special Administrative Region that meet certain conditions of the aforementioned regulations.

On 18 January 2019, the Supreme People's Court of PRC and the government of Hong Kong entered into the Supreme People's Court's Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and PRC.

The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement was effective on 29 January 2024.

This Appendix mainly provides investors with an overview of the Articles of Association which shall take effect on the date of the H-Shares being listed on the Hong Kong Stock Exchange. As the following information is in summary form, it does not contain all the information that may be important to investors.

ISSUE OF SHARES

The shares of the company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the company, subject to the laws and regulations, Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and other securities regulatory rules of the places where the company's shares are listed, the company may increase the capital by the following ways upon resolutions at the general meeting:

(I) offering of shares to non-specific investors;

(II) offering of shares to specific investors;

(III) allotment of bonus shares to existing shareholders;

(IV) conversion of capital reserve to share capital;

(V) other methods specified by laws and administrative regulations and approved by the China Securities Regulatory Commission (hereinafter referred to as "**CSRC**"), National Equities Exchange And Quotations Co., Ltd. (hereinafter referred to as "**NEEQ**"), The Stock Exchange of Hong Kong Limited (hereinafter referred to as "**Hong Kong Stock Exchange**").

The company may reduce its registered capital. When a company reduces its registered capital, it shall comply with the procedures stipulated in the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**") and other relevant provisions as well as these Articles of Association.

Repurchase of Shares

The company may acquire shares of the company in accordance with laws, administrative regulations, departmental rules, GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed and these Articles of Association under the following circumstances:

(1) reducing our Company's registered capital;

(2) merging with other companies which hold our shares;

(3) using the shares as an employee stock ownership plan or equity incentive plan;

(4) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the company at a Shareholders' general meeting upon their request;

(5) use of shares for conversion of convertible corporate bonds issued by the company;

(6) necessary for the company to maintain its value and protect the interests of the shareholders.

Except for the above circumstances, the company shall not engage in trading its own shares.

The company may purchase its own shares in the following manners:

(1) open transaction;

(2) offer to repurchase;

(3) other methods stipulated by laws, administrative regulations, GEM Listing Rules and other securities regulatory rules of the place where the company's shares are listed.

Where the company repurchases its own shares for the reasons specified in items (1), (2) set out above, it shall be subject to a resolution of the general meeting; where the company repurchases its own shares under the circumstances specified in items (3), (5) and (6) set out above, it may be resolved by the board meeting attended by more than two-thirds of directors in accordance with the provisions of these Articles of Association or the authorisation of the general meeting.

TRANSFER OF SHARES

Shares held by shareholders of the company may be transferred to other shareholders or to persons other than shareholders. For the transfer of the company's listed stocks, shareholders can publicly transfer their shares on the National Equities Exchange and Quotations. The transfer of the company's H shares must be registered with the local stock registration agency in Hong Kong entrusted by the company. All transfers of H shares shall be in a written transfer instrument in general or ordinary form or any other form approved by the board of directors (including the standard transfer form or transfer form specified by the Hong Kong Stock Exchange from time to time); and the transfer instrument may only be signed by hand or affixed under the common seal (if the transferor or transferee is a company). If the transferor or transferee is a recognized clearing house or its agent as defined in the relevant regulations in force from time to time under the laws of Hong Kong, the transfer instrument may be signed by hand or in printed form. All transfer instruments shall be kept at the legal address of the company or such address as may be designated by the board of directors from time to time.

Shares issued by the company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a stock exchange. Shares issued prior to the company's IPO of H shares shall not be transferred within one year from the date on which the H shares of the company are listed and traded on the GEM of the Stock Exchange.

The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of the company held by them shall not be transferred within one year from the date on which the shares of the company are listed and traded on a stock exchange, nor within six months after their resignation from their positions with the company.

If there are other provisions on the transfer of shares of the company held by shareholders under laws, regulations, or the CSRC and NEEQ, such provisions shall prevail.

If the transfer restriction of H shares is otherwise provided in the relevant regulatory rules of the places where the company's shares are listed, such regulatory rules shall prevail.

If directors, supervisors, senior management officers, and shareholders holding more than 5% of the company's shares sell the company's shares they hold within 6 months after purchasing the same or purchase (excluding Hong Kong Central Securities Depository Limited and Hong Kong Settlements Agency Limited) them again within 6 months after selling the same, the earnings therefrom shall belong to the company, and the board of directors of the company shall recover such earning. However, exceptions are made where the securities company holds more than 5% of the shares due to the purchase and underwriting of untaken shares after offering, and other circumstances specified by the securities regulatory authorities of the State Council and the securities regulatory authorities of the place where the company's shares are listed.

Shares or other securities of an equity nature held by directors, supervisors, senior management officers, or shareholders who are natural persons as referred to in the preceding paragraph shall include shares or other securities of an equity nature held by their spouses, parents, or children, as well as those held by them utilising the accounts of others.

In the event that the board of directors of the company fails to comply with the provisions of preceding paragraph, the shareholders shall have the right to request the board of directors to do so within 30 days. If the board of directors of the company fails to do so within the said period, the shareholders shall have the right to file a lawsuit with the people's court directly in their own name for the benefit of the company.

If the board of directors of the company fails to comply with the provisions of preceding paragraph, the responsible directors shall be jointly and severally liable in accordance with the law.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholder

The company establishes its register of members based on the certificates provided by the securities registration and clearing institution. The register of members constitutes conclusive evidence of the shareholdings of the company's shareholders. Shareholders shall enjoy rights and assume obligations in accordance with the class of shares they hold; shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The shares held by shareholders of the company's unlisted domestic shares are registered and deposited with China Securities Depository and Clearing Corporation Limited, and the register of members and shareholdings of shareholders of unlisted domestic shares shall be based on the records in the securities book-entry system maintained by China Securities Depository and Clearing Corporation Limited. The company's H shares are held in custody by the nominee under Hong Kong Securities Clearing Company Limited, but may also be held by shareholders in their own names.

Shareholders of the company are entitled to the following rights:

(1) to receive dividends and other forms of distribution in proportion to the number of shares held;

(2) to request the convening of, convene, preside over, attend or appoint a proxy to attend general meetings in accordance with the law, and to exercise the relevant voting rights;

(3) to supervise the business operations of the company, and to submit proposals or enquiries;

(4) to transfer, gift or pledge the shares held by them in accordance with the requirements of the laws, administrative regulations, the GEM Listing Rules and other securities regulatory rules of the place where the company's shares are listed, as well as these Articles of Association;

(5) to inspect and obtain copies of these Articles of Association, the register of members, counterfoils of corporate bonds, minutes of general meetings, resolutions of the board of directors, resolutions of the Supervisory Committee and financial and accounting reports, and, subject to compliance with relevant requirements, to inspect the company's accounting books and vouchers;

(6) to participate, in proportion to the number of shares held, in the distribution of the company's remaining assets upon termination or liquidation;

(7) to require the company to repurchase their shares if they object to any resolution of the general meeting in respect of a merger or division of the company; and

(8) such other rights as are conferred by the laws, administrative regulations, departmental rules, the GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed and these Articles of Association.

Where a shareholder requests to inspect or obtain copies of the information or documents referred to in the preceding article, the shareholder shall provide to the company written documents evidencing the class and number of shares held. Upon verification of the shareholder's identity, the company shall provide such information or documents as requested by the shareholder.

Where the contents of a resolution of the general meeting or of the board of directors contravene any laws or administrative regulations, shareholders shall have the right to request the people's court to declare such resolution invalid.

Where the convening procedures or voting method of the general meeting or of the board of directors contravene any laws, administrative regulations or these Articles of Association, or where the contents of a resolution contravene these Articles of Association, shareholders shall have the right to request the people's court to revoke such resolution within 60 days from the date of its adoption. However, if the convening procedures or voting method of the general meeting or of the board of directors contain only minor defects that have no material impact on the resolution, such resolution shall not be subject to revocation. A shareholder who has not been notified of a general meeting may request the people's court to revoke the resolution within 60 days from the date on which the shareholder becomes aware of or ought reasonably to have become aware of such resolution; if no revocation request is made within one year from the date of the resolution, the right of revocation shall lapse.

In the event of any loss caused to the company as a result of violation of laws, administrative regulations or these Articles of Association by the directors or senior management when performing their duties, a shareholder who holds 1% or more of the shares in the company individually or jointly for no less than 180 consecutive days shall have the right to request the supervisory committee in writing to initiate litigation in the people's court; in the event of any loss caused to the company as a result of violation of laws, administrative regulations or these Articles of Association by the supervisory committee when performing its duties, the aforesaid shareholder may request the board of directors in writing to initiate litigation in the people's court.

If the supervisory committee or the board of directors refuses to institute legal proceedings after receiving the written request from shareholders specified in the preceding paragraph, or fails to institute legal proceedings within 30 days from the date of receiving such request, or that the failure to institute litigation immediately may otherwise cause irreparable damage to the interest of the company in an urgent circumstance, the shareholders specified in the preceding paragraph shall have the right to directly institute legal proceedings in the people's court in their own name for the benefit of the company.

If others infringe upon the legitimate rights and interests of the company and cause losses to the company, the shareholders who hold 1% or more of the shares in the company individually or jointly for no less than 180 consecutive days may institute legal proceedings in the people's court in accordance with the provisions of the preceding two paragraphs.

If any director, supervisor or senior management of a wholly-owned subsidiary of the company violates any law, administrative regulation or these Articles of Association in performing his/her duties, causing losses to the company, or the infringement of the legitimate rights and interests of a wholly-owned subsidiary of the company by others causing losses, shareholders who hold one percent or more of the shares in the company individually or jointly for no less than 180 consecutive days may request the supervisory committee and the board of directors of a wholly-owned subsidiary in writing in accordance with the provisions of the first three paragraphs of Article 189 of the Company Law to institute a legal action in a people's court or to institute a legal action in a people's court in their own names.

Shareholders may institute legal proceedings in the people's court against any director or senior management member who damages the shareholders' interests by violating any law, administrative regulation or these Articles of Association.

The shareholders of the company shall assume the following obligations:

(1) to abide by laws, administrative regulations, the GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed and these Articles of Association;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) not to withdraw their share capital except in circumstances allowed by laws, regulations, the GEM Listing Rules and other securities regulatory rules of the place where the company's shares are listed;

(4) not to abuse his/her/its rights as a shareholder to infringe the interests of the company or other shareholders and not to abuse the independent position of the company as a legal person or the limited liability status of the shareholders to infringe the interests of creditors of the company;

Where a shareholder's abuse of rights as a shareholder has caused damages to the company or other shareholders, he/she/it shall be liable for compensation in accordance with laws. Where a shareholder abuses the independent position of the company as a legal person, or the limited liability status of shareholders for the evasion of its debts and such acts have caused serious damages to interests of the company's creditors, he/she/it shall bear joint and several liabilities in respect of the debts of the company;

(5) other obligations imposed by laws, administrative regulations, the GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed and these Articles of Association.

The company's controlling shareholders and de facto controllers shall not use any means to jeopardize the interests of the company; controlling shareholders and de facto controllers shall be liable for compensation for any losses caused to the company and other shareholders as a result of any violation of the requirements.

Controlling Shareholder(s) and De Facto Controller(s)

The controlling shareholder(s) and de facto controller(s) shall not use their relationship to act in detriment to the interests of the company. If their violation of regulations causes losses to the company and other shareholders, they shall be liable for compensation.

The Controlling Shareholder(s) and de facto controller(s) of the company shall perform fiduciary duty to the company and other Shareholders thereof. The Controlling Shareholder(s) shall exercise capital contributors' rights in strict accordance with laws, shall not damage the legitimate rights and interests of the company and other Shareholders by such means as profit distribution, asset reorganization, external investment, fund appropriation, loan and guarantee and shall not abuse their controlling status to damage the interests of the company and other Shareholders. If the controlling shareholder(s) and de facto controller(s) violate the relevant laws, regulations, the GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed and the provisions of the Articles of Association and cause losses to the company and other shareholders, they shall be liable for compensation.

General Rules of the General Meeting

The General Meeting is the organ of authority of the company, and shall exercise the following functions and powers according to law:

(1) to decide on the company's operational policies and investment plans;

(2) to elect and replace the supervisors and directors who are not employee representatives and to decide on the matters relating to the remuneration of directors and supervisors;

(3) to consider and approve the reports of the Board of Directors;

(4) to consider and approve the reports of the Board of Supervisors;

(5) to consider and approve the profit distribution plans and loss recovery plans of the company;

(6) to make a resolution on the increase or decrease of the registered capital of the company;

(7) to make a resolution on the issuance of corporate bonds;

(8) to make a resolution on the merger, division, dissolution, liquidation or form change of the company;

(9) to amend the Articles of Association;

(10) to make a resolution on the company's engagement, removal of an accounting firm;

(11) to consider and approve the external guarantees, material transactions and the provision of financial assistance as provided in the aforesaid Articles;

(12) to consider and approve the company's purchase, sale or other forms of disposal of material assets (including external investments), where the total amount of assets involved or the transaction amount, when aggregated over a consecutive 12-month period, reaches over 30% of the latest audited total assets of the company;

(13) to resolve on the change of the principal business of the company;

(14) to decide on the listing plans and schemes of the company;

(15) to consider the equity incentive plans and employee shareholding schemes;

(16) to consider and approve changes in the use of proceeds;

(17) to consider other matters on which decisions shall be made by the General Meeting as required by laws, administrative regulations, departmental rules, the GEM Listing Rules, the listing rules of the stock exchange where the company's shares are listed or the Articles of Association.

The Board may be authorized by the general meeting to adopt resolutions on the issuance of corporate bonds. The aforesaid functions and powers of the General Meeting shall not be exercised by the Board of Directors or other bodies and individuals through any form of authorization.

The review and approval authority of the company's general meeting in respect of external guarantees, material transactions and the provision of financial assistance is as follows:

(I) The following major external guarantees given by the company shall be considered and approved by the general meeting:

1. any single guarantee exceeding 10% of the latest audited net assets;

2. any guarantee to be provided after the total amount of external guarantees provided by the company and the subsidiaries within the scope of its consolidated statements has exceeded 50% of the company's audited net assets in the latest period;

3. any guarantee provided to any guaranteed party with assets-liabilities ratio exceeding 70%;

4. the total amount of guarantees for 12 consecutive months exceeds 30% of the latest audited total assets of the company;

5. any guarantees to be provided for shareholders, de facto controller(s) and their related (connected) parties;

6. Other guarantees prescribed by the CSRC, NEEQ Co., Ltd., the GEM Listing Rules, other securities regulatory rules of the place(s) where the company's shares are listed, or the Articles of Association.

In case of a guarantee provided by the company for a controlling shareholder, actual controller or their related (connected) parties, the controlling shareholder, actual controller or their related (connected) parties shall provide a counter guarantee.

Where the company provides a guarantee for its wholly-owned subsidiary, or for a holding subsidiary and other shareholders of the holding subsidiary provide a guarantee in the same proportion of their rights and interests, without prejudice to the interests of the

company, the requirement to submit such matters to the general meeting for deliberation may be exempted.

When the board of directors considers guarantee matters, it must be approved by at least two-thirds of the directors present at the board meeting. When considering the guarantee in Item 4 of the preceding paragraph at the general meeting, it shall be approved by more than two-thirds of the voting rights held by shareholders attending the meeting. When considering other guarantee matters at the general meeting, it shall be approved by more than half of the voting rights held by shareholders attending the meeting. When the general meeting is considering a proposal to provide guarantee for any shareholder, de facto controller and their related (connected) parties, the said shareholder or the shareholders controlled by the said de facto controller shall be abstained from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights of the other attending shareholders.

(II) If a transaction (other than the provision of guarantees) of the company belongs to one of the following, it shall be proposed to the general meeting for review:

1. A transaction with its total assets (if there exist both the book value and the appraised value, whichever is higher) or transaction amount accounting for more than 50% of the company's audited total assets for the most recent accounting year;

2. A transaction with its net assets or transaction amount accounting for more than 50% of the absolute value of the company's audited net assets for the most recent accounting year and exceeding RMB15 million.

The term "transaction" as used in this Article includes the following matters:

(1) Purchase or disposal of assets;

(2) External investments (including entrusted financial management, entrusted loans, investments in subsidiaries, joint ventures, and associates, investments in trading financial assets, available-for-sale financial assets, held-to-maturity investments, etc.);

(3) Provision of financial assistance;

(4) Rent or lease of assets;

(5) Entering into management contracts (including entrusting business operation, entrusted business operation, etc.);

(6) Donating assets or receiving donated assets;

(7) Creditor's rights or debt restructuring;

(8) Transfer of research and development projects;

(9) Entering into license agreements;

(10) Waiver of rights;

(11) Other transactions recognized by the CSRC, the National Equities Exchange and Quotations, the GEM Listing Rules, and other securities regulatory rules of the place where the company's shares are listed.

The purchase or sale of assets mentioned above does not include transactions related to daily operations, such as the purchase of raw materials, fuel and power, and the sale of products or goods.

Transactions in which the company unilaterally obtains benefits, including receipt of cash assets as gifts, debt relief, guarantees and subsidies, may be exempted from the general meeting agenda as stipulated above.

(III) Provision of financial assistance

The term "provision of financial assistance" as used in these Articles of Association refers to acts such as providing funds or entrusted loans to external parties by a listed company and its controlled subsidiaries, whether for compensation or without compensation. The following provisions shall not apply where a company's principal business consists of providing external financing services such as loans or credits, or where the recipient of the assistance is a controlled subsidiary within the scope of its consolidated financial statements.

If the company's provision of financial assistance to external parties falls under any of the following circumstances, it must be reviewed in the general meeting of the company after being reviewed and approved by the board of directors:

(1) The asset-liability ratio of the investee for the latest period exceeds 70%;

(2) The amount of lump sum financial assistance or the cumulative amount of financial assistance provided within twelve consecutive months exceeds 10% of the company's latest audited net assets; or

(3) Any other situations stipulated by the CSRC, the National Equities Exchange and Quotations, the GEM Listing Rules, and other securities regulatory rules of the place where the company's shares are listed or these Articles of Association.

The company shall not provide financial assistance, such as funds, to related (connected) parties including directors, supervisors, senior management, controlling shareholders, actual controllers, and enterprises under their control. If external financial assistance remains overdue, the company shall not continue to provide financial assistance or increase such assistance to the same recipient.

General meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and held within six months after the end of the preceding accounting year.

In any of the following circumstances, the company shall convene an extraordinary general meeting within two months from the date of the occurrence of the circumstance:

(1) when the number of directors falls short of the statutory minimum specified in the Company Law or is less than two thirds of the number specified in these Articles of Association;

(2) when the unrecovered losses of the company amount to one third of the total share capital;

(3) when shareholders severally or jointly holding more than 10% shares of the company request to hold such meeting;

(4) when the Board deems it necessary;

(5) when the Supervisory Committee proposes to hold such a meeting;

(6) when the number of independent directors (meaning the same as "independent non-executive directors", the same applies hereinafter) falls below the statutory minimum;

(7) other circumstances stipulated by laws, administrative regulations, departmental rules, the GEM Listing Rules, other securities regulatory rules in the place where the stocks of the company are listed or these Articles of Association.

The number of shares held as described in item (3) above shall be calculated as per the shares of the company held by the shareholder on the date when such written request is made by such shareholder.

Convening of General Meetings

The Board of Directors shall convene general meetings in accordance with laws, administrative regulations, and the Articles of Association. Upon approval by a majority of all independent directors, independent directors shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting. Regarding proposals by independent directors to convene an extraordinary general meeting, the Board of Directors shall, within ten days from receiving the proposal, provide written feedback stating its agreement or disagreement to convene the extraordinary general meeting in accordance with laws, administrative regulations, and the Articles of Association. If the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of the meeting within five days after making the Board resolution. If the Board of Directors disagrees, it shall state the reasons and make an announcement.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of the meeting within 5 days after the Board resolution is made. If the Board disagrees, it shall state the reasons and make an announcement.

The supervisory committee shall have the right to propose to the Board of Directors the convening of an extraordinary general meeting and shall submit such proposal to the Board of Directors in writing. The Board of Directors shall, in accordance with laws, administrative regulations, and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees to convene the extraordinary general meeting within 10 days of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of the meeting within 5 days after the Board resolution is made. Any amendments to the original proposal in the notice shall be subject to the consent of the Supervisory Committee.

If the Board of Directors disagrees to convene an extraordinary general meeting, or fails to provide written feedback within 10 days after receiving the proposal, it shall be deemed that the Board of Directors is unable or unwilling to fulfill its duty to convene the general meeting. In such case, the Supervisory Committee shall convene and preside over the meeting on its own initiative.

Shareholders holding individually or collectively more than 10% of the company's shares shall have the right to request the Board of Directors to convene an extraordinary general meeting and shall submit such request to the Board of Directors in writing. The Board of Directors shall, in accordance with laws, administrative regulations, and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees to convene the extraordinary general meeting within 10 days of receiving the request.

If the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of the meeting within 5 days after the Board resolution is made. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the board of directors does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding 10% or more of the company's shares shall have the right to propose to the Supervisory Committee to convene an extraordinary general meeting, and such proposal shall be made in writing. The Supervisory Committee shall, in accordance with the laws, administrative regulations, and these Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days after the resolution of the Supervisory Committee is passed. Any changes to the original proposal in the notice shall be approved by the relevant shareholders.

If the Supervisory Committee fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Supervisory Committee will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the company's shares for 90 days or more consecutively may convene and preside over the meeting by themselves. Prior to the announcement of the resolution adopted at the general meeting, shareholders convening the general meeting shall jointly hold 10% or more of the company's shares.

If the Supervisory Committee or the shareholders decide to convene the general meeting of their own according to laws, they shall notify the board of directors in writing.

The board of directors and the person in charge of disclosure of the company shall cooperate, and the board of directors shall provide a register of members and fulfill their information disclosure obligations in a timely manner for a general meeting convened by the Supervisory Committee or shareholders of its own according to laws.

All necessary expenses incurred for the general meeting convened by the Supervisory Committee or shareholders of their own according to laws shall be borne by the company.

Proposals and Notices of the General Meeting

When the company convenes a general meeting, the board of directors, the supervisory committee and shareholders individually or jointly holding 1% or more of the company's shares are entitled to submit proposals to the company.

Shareholders individually or jointly holding 1% or more of the company's shares may make a provisional proposal and submit it in writing to the convener 10 days prior to the convening of the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting within two days upon receipt of such proposal, setting out the content of the provisional proposal and submitting such provisional proposal to the general meeting for consideration; provided, however, that the provisional proposal shall be in compliance with the provisions of the laws, administrative regulations or the Articles of Association or shall fall within the scope of functions and powers of the general meeting.

Except as provided in the preceding paragraph, the convener shall not modify proposals listed in the notice of general meeting or add new proposals after issuing the notice of general meeting.

No vote or resolutions shall be cast or passed in the general meeting on proposals that are not listed in the notice of general meeting or that do not comply with laws, regulations and the Articles of Association. The company shall not increase the shareholding ratio requirements on shareholders proposing provisional proposals.

The convener shall notify all the shareholders 21 days prior to the convening of an annual general meeting and at least 10 clear business days or 15 days (whichever is longer) prior to the convening of an extraordinary general meeting by announcement.

The notice of general meeting shall include the following:

(1) Time, location and duration of the meeting;

(2) Matters and proposals submitted to the meeting for consideration;

(3) Explanation in obvious words: All the shareholders have the right to attend the general meeting and may appoint a proxy who does not have to be a shareholder of the company in writing to attend the meeting and to participate in voting;

(4) Record date of shareholders who have the right to attend the general meeting;

(5) Name and telephone number of the standing contact person for conference affairs;

(6) Any other content stipulated in laws, regulations, normative legal documents, the GEM Listing Rules and other securities regulatory rules in the place where the company's shares are listed.

The notice of the general meeting and the supplementary notice of the general meeting shall fully and completely disclose the specific content of all proposals.

For general meetings that adopt online voting or other means of voting, the time and procedure of such online voting or other means of voting shall be indicated in the notice of general meeting.

The interval between the record date and the meeting date shall be no more than 7 business days and shall be later than the disclosure time of the announcement. Once the record date is confirmed, it shall not be changed.

Convening of the General Meetings

All shareholders registered on the record date or their proxies are entitled to attend the general meeting, and shall exercise their voting rights in accordance with the laws, regulations, GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed and the Articles of Association.

Shareholder may attend the general meeting in person, or appoint a proxy to attend and vote on behalf of such shareholder.

Individual shareholders attending the meeting in person shall present his or her identity card or other valid license or certificate that can prove his or her identity and share certificate. Proxies appointed to attend the meeting shall present valid proof of their identities and the power of attorney from the appointing shareholder.

Corporate shareholders shall attend the meeting by its legal representative or by proxies appointed by it. If a legal representative attends the meeting, he/she shall present his/her identity card and a valid certificate proving his/her qualifications as a legal representative; where the meeting is attended by proxy, he/she shall present his/her identity card and written power of attorney issued by the legal representative of the corporate shareholder unit in accordance with the law.

If a Shareholder is a recognized clearing house (or its nominee) as defined under relevant ordinances promulgated from time to time in Hong Kong, such Shareholder may authorize one or more person(s) as it may think fit to act as its proxy(ies) at any general meeting; however, if more than one person is authorized, the power of attorney shall state the number and class of Shares for each of such persons so authorized and shall be signed by an authorized officer of the recognized clearing house. Every person so authorized may, on behalf of the recognized clearing house (or its nominee), attend the meeting (without the need to produce certificates of shareholding, notarized authority and/or further evidence proving that he/she has been duly authorized) to exercise the rights, including the rights to speak and vote, as if such person was an individual Shareholder of the company.

Voting and Resolutions at General Meetings

The resolutions of general meetings shall be classified into ordinary resolutions and special resolutions.

An ordinary resolution passed at a general meeting shall be approved by more than half of the voting rights held by the Shareholders (including shareholders who attend general meetings by proxies) present at the general meeting.

A special resolution passed at a general meeting shall be approved by two-thirds or more of the voting rights held by the Shareholders (including shareholders who attend general meetings by proxies) present at the general meeting.

The following matters shall be approved by ordinary resolutions at the general meetings:

(1) the work reports of the board of directors and the supervisory committee;

(2) the profit distribution plan and the loss recovery plan prepared by the board of directors;

(3) the appointment and removal of members of the board of directors and the supervisory committee and their remuneration and methods of payment;

(4) the annual preliminary budgets and final budgets of the company;

(5) the annual reports of the company;

(6) the matters other than those required to be passed as special resolutions pursuant to laws, administrative regulations, the GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed or these Articles of Association.

The following matters shall be approved by special resolutions at the general meetings:

(1) increase or reduction in registered capital of the company;

(2) spin-off, merger, dissolution, liquidation and change of form of the company;

(3) amendments to the Articles of Association;

(4) deliberation and approval of matters involving the total assets involved in the purchase, sale or other forms of disposal of major assets (including external investments) or the transaction amount that, calculated on a cumulative basis over the preceding 12 consecutive months, reaches or exceeds 30% of the company's most recently audited total assets;

(5) equity incentive schemes;

(6) other matters as required by laws, administrative regulations, the GEM Listing Rules and other securities regulatory rules of the place where the company's shares are listed or the Articles of Association, those that may have a significant impact on the company as determined by an ordinary resolution at a general meeting, and those that need to be approved by a special resolution.

Shareholders (including shareholders appointing proxies to attend general meeting on their behalf) shall exercise voting rights based on the number of shares with voting rights they represent, and each share shall be entitled to one vote, unless otherwise provided by laws and regulations.

When voting, shareholders (including their proxies) holding two or more votes are not required to cast all of their votes in favor, against, or as abstentions.

The shares held by the company carry no voting rights and shall not be counted into the total number of voting shares held by shareholders attending the general meeting.

The controlling subsidiary of the company shall not acquire the shares of the company. If the controlling subsidiary holds shares for special reasons, the circumstances shall be eliminated in accordance with the law within one year. Before the aforesaid circumstances are eliminated, the relevant subsidiary shall not exercise the voting rights corresponding to the shares held by it, and such shares shall not be counted in the total number of shares with voting rights present at the general meeting.

The board of directors and shareholders fulfilling relevant conditions may solicit the voting rights at the general meeting. The solicitation of voting rights shall make sufficient disclosure of the information such as specific voting intentions to the solicited persons and shall not be conducted in compensation or disguised compensation.

A company may stipulate a solicitation system of voting rights in its articles of association, but shall not impose undue obstacles to the solicitation of voting rights that would prejudice the lawful rights and interests of shareholders.

Shareholders who have related (connected) relationship with matters proposed to be considered at the general meeting shall abstain from voting, and shares with voting rights they hold shall not be counted toward the total number of shares with voting rights held by shareholders attending the general meeting, unless otherwise provided by laws, regulations, departmental rules, business rules, the GEM Listing Rules and other securities regulatory rules of the places where the company's shares are listed, and all the shareholders are related (connected) parties. The resolutions of the general meeting shall fully disclose the voting situation of non-related (connected) shareholders.

DIRECTORS AND BOARD OF DIRECTORS

General Requirement of Directors

Directors of the company shall be natural persons. Persons under any of the following circumstances may not serve as directors of the company:

(1) Having no capacity for civil conduct or limited capacity for civil conduct;

(2) Being sentenced to criminal punishment for corruption, bribery, misappropriation of property, embezzlement of property or disruption of the socialist market economic order, where the execution period has not expired for five years; or being deprived of political rights due to crimes, where the execution period has not expired for five years; or being granted suspended sentence, where two years have not passed since the expiration of the probationary period of suspended sentence;

(3) Serving as directors or factory directors or managers of companies or enterprises that have undergone bankruptcy liquidation and bearing personal responsibility for the bankruptcy of such companies or enterprises, where three years have not passed since the completion of bankruptcy liquidation of such companies or enterprises;

(4) Serving as legal representatives of companies or enterprises whose business licenses have been revoked or which have been ordered to close for violation of law and bearing personal responsibility therefor, where three years have not passed since the revocation of business licenses or the order to close such companies or enterprises;

(5) Being listed by the people's courts as dishonest person subject to enforcement due to failure to repay relatively large debts when due;

(6) He/she has been imposed by the CSRC or any of its delegated agencies with measures prohibiting access into the securities market or determined as an ineligible person, who is still in the period of penalty;

(7) Recognized by the National Equities Exchange and Quotations or stock exchanges as unsuitable for serving as a director, supervisor or senior management officer of a company, with the disciplinary action period not yet expired;

(8) Other circumstances as stipulated by laws, administrative regulations, departmental rules, National Equities Exchange and Quotations or the GEM Listing Rules, and other securities regulatory rules of the places where the company's shares are listed.

The directors shall comply with the laws, administrative regulations, the GEM Listing Rules, other securities regulatory rules of the place at which the shares of the company are listed and the provisions of the Articles of Association and shall faithfully perform their following obligations to the company and take measures to avoid the conflict between their own interests and those of the company and shall not seek any improper interests by taking advantage of their powers. Directors owe the following fiduciary duties to the company:

(1) not to abuse their rights to accept bribes or other illegal income and not to misappropriate the properties of the company;

(2) not to misappropriate the money of the company;

(3) not to deposit any assets or money of the company in any accounts under their names or in the names of other persons;

(4) not to violate the Articles of Association and lend the money of the company to others or provide guarantee to others by charging the company's assets without approval of the general meeting or the board of directors;

(5) not to enter into contracts or transactions with the company in violation of the Articles of Association or without approval of the general meeting;

(6) not to use their position to obtain business opportunities which should be available to the company for themselves or others, or to run his/her own or others' business which is similar to the company's business without approval of the general meeting;

(7) not to accept commissions in relation to transactions between any third party and the company;

(8) not to disclose the secrets of the company without consent;

(9) not to use their connections to harm the interests of the company;

(10) to be bound by other duties of loyalty stipulated by the laws, administrative regulations, departmental rules, the GEM Listing Rules, other securities regulatory rules of the place at which the shares of the company are listed and the Articles of Association.

The company shall be entitled to the income gained by the directors in violation of this article; the director shall be liable for compensation if any loss is caused to the company.

The directors shall comply with the laws, administrative regulations and the Articles of Association and shall diligently perform their following obligations to the company:

(1) to exercise prudently, conscientiously and diligently the rights granted by the company to ensure that the company's commercial activities are in compliance with the laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;

(2) to treat all shareholders equally and fairly;

(3) to understand the operation and management of the company in a timely manner;

(4) to approve regular reports of the company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the company;

(5) to provide all relevant information and materials required by the supervisory committee and shall not intervene the performance of duties of the supervisory committee or supervisors;

(6) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules, the GEM Listing Rules, other securities regulatory rules of the place at which the shares of the company are listed and these Articles of Association.

The Board of Directors

The board of directors shall comprise eight directors, including three independent directors. The board of directors shall have one chairman.

The board of directors exercises the following functions and powers:

(1) to convene the general meeting and to report on its work to shareholders in general meetings;

(2) to implement resolutions of the general meeting;

(3) to determine the company's business plans and investment proposals;

(4) to formulate the company's annual preliminary and final budgets;

(5) to formulate the company's profit distribution plans and loss recovery plans;

(6) to formulate proposals on the increase or reduction in the company's registered capital and the issuance of debentures or other securities;

(7) to draft plans for material acquisitions, repurchase of the company's shares, or the merger, division, dissolution or change in corporate form of the company;

(8) to determine, within the scope of authorization granted by the general meeting, matters such as external investment, acquisition or disposal of assets, pledge of assets, external guarantees, entrusted wealth management, related-party (connected) transactions, etc.;

(9) to determine the company's internal management structure;

(10) to decide to appoint or remove the general manager of the company, the secretary to the board of directors, and their remuneration and reward and punishment matters; according to the recommendations of the general manager, to decide to appoint or remove deputy general managers, the chief financial officer, and other senior management personnel, and their remuneration matters and reward and punishment matters.

(11) to set forth the company's basic management system;

(12) to formulate proposals for any amendment of the Articles of Association;

(13) to manage matters relating to the company's information disclosure;

(14) to submit proposals to the general meeting of shareholders on the appointment or replacement of the accounting firm responsible for auditing the company;

(15) to hear the work reports of the general manager and examine the performance of the general manager;

(16) During periods when the board of directors is in recess, the chairman shall be authorized to exercise relevant powers. The authorization to the chairman by the board of directors shall comply with the following principles:

(i) the authorization shall be approved by more than half of all directors and be made by way of resolution of the board meeting;

(ii) authorizations, permissions and contents shall be defined and feasible;

(iii) the authorization shall be within the term of reference or scope of authority of the board of directors;

(iv) major matters shall be decided collectively by the board of directors. The board of directors shall not delegate its statutory powers to individual directors or other persons for exercise.

(17) To discuss and evaluate whether the corporate governance mechanism provides appropriate protection and equal rights to all shareholders, and whether the corporate governance structure is reasonable and effective;

(18) Other functions and powers granted by laws, administrative regulations, departmental rules, the GEM Listing Rules, other securities regulatory provisions of the place where the company's shares are listed, these Articles of Association or as granted by the general meeting.

Matters beyond the scope of authorisation by the general meeting shall be submitted by the board of directors to the general meeting for consideration.

If any director has relation (connection) with the enterprise or any individual involved in the resolution made at a board meeting, the said director shall report to the board of directors in writing in a timely manner and shall not vote on the said resolution for himself or on behalf of other director. The board meeting may be held when more than half of the non-related (connected) directors attend the meeting. The resolution of the board meeting shall be passed by more than half of the non-related (connected) directors. If the number of non-related (connected) directors attending the board meetings is less than three, the matter shall be submitted to the general meeting for examination.

Independent Directors

Matters relating to their qualifications, nomination and election procedures, powers, and other relevant responsibilities shall be governed by applicable laws, regulations, the GEM Listing Rules, and other securities regulatory provisions of the place where the company's shares are listed. The independent directors shall perform the following duties:

(1) independently hiring intermediaries to audit, consult or verify specific matters of the company;

(2) proposing to the board of directors that an extraordinary general meeting shall be convened;

(3) proposing that a board meeting shall be convened;

(4) publicly soliciting shareholders' rights in accordance with the laws;

(5) expressing independent opinions on matters that may harm the interests of the company or minority shareholders;

(6) other powers and functions prescribed by laws, administrative regulations, the provisions of CSRC, the GEM Listing Rules, other securities regulatory provisions of the places where the company's shares are listed, and the Articles of Association.

The independent directors shall exercise the powers and functions listed in items (1) to (3) of the preceding paragraph with the consent of the majority of all independent directors.

The company shall disclose in a timely manner any exercise of the powers and functions listed in the first paragraph by independent directors. If the above powers and functions cannot be exercised normally, the company shall disclose the specific circumstances and reasons.

There shall be three or more independent directors, and such number shall be no less than one-third of the board of directors as a whole. Additionally, at least one independent director shall possess proper professional qualifications or proper accounting or finance-related management expertise as required by the GEM Listing Rules. One independent director shall be permanently resident in Hong Kong. All independent directors shall be independent as required by the GEM Listing Rules.

Specialized Committees of the Board of Directors

The board of directors of the company has established three specialized committees, namely the audit committee, the nomination committee, and the remuneration committee. Special committees are accountable to the board of directors and shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals shall be submitted to the board of directors for deliberation and decision. The board of directors shall formulate the terms of reference for each of the special committees of the board of directors to regulate the operation of the special committees.

Senior Management

The company shall have one general manager, who shall be appointed or dismissed by the board of directors.

The general manager, deputy general manager, board secretary and chief financial officer of the company shall be senior management members of the company.

The general manager shall be accountable to the board of directors and shall perform the following functions and powers:

(1) to take charge of the production operations and management tasks and organize the implementation of resolution of the board of directors, and to report his/her work to the board of directors;

(2) to organize the implementation of the company's annual operational plans and investment proposals;

(3) to devise the set-up of the company's internal management structure;

(4) to devise the basic management system of the company;

(5) to formulate the basic rules and regulations of the company;

(6) to propose to the board of directors on appointment or dismissal of the deputy general manager or chief financial officer of the company;

(7) to decide on appointment or dismissal of management personnel other than those whose appointment or dismissal is decided by the board of directors;

(8) other functions and powers granted by the Articles of Association or the board of directors.

The general manager shall attend the board meetings.

The company shall have one secretary to the board of directors who, being the person in charge of information disclosure, shall take charge of the preparation of the general meetings and the board meetings, the safekeeping of documents, the management of the information of shareholders, the handling of information disclosure affairs, etc.

The secretary to the board of directors shall comply with laws, administrative regulations, departmental rules, the GEM Listing Rules, other securities regulatory rules of the places where the company's shares are listed, and the relevant requirements set forth in the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The company shall establish its financial and accounting systems in accordance with laws, administrative regulations and relevant provisions of state departments.

The company shall prepare and disclose its annual financial report within 4 months from the ending date of each financial year, and shall prepare and disclose its half-year financial report within 2 months from the ending date of the first 6 months of each financial year.

When the company encounters circumstances that require the disclosure of a temporary report in accordance with laws, administrative regulations, and the relevant provisions of the National Equities Exchange and Quotations, it shall promptly disclose the temporary report in accordance with the law.

The company shall prepare and disclose the above financial reports according to the relevant laws, administrative regulations, departmental rules, the National Equities Exchange and Quotations ("**NEEQ**"), the GEM Listing Rules, and other securities regulatory rules of the places where the company's shares are listed.

The company shall not keep accounting books other than those provided by law. Its assets shall not be deposited in any accounts opened in the name of any individual.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if its statutory reserve fund has accumulated to more than 50% of the registered capital.

If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph.

After the company has made an allocation to the statutory reserve fund from its after-tax profits, it may also make an allocation to the discretionary reserve fund from its after-tax profits upon a resolution of the general meeting.

The remaining after-tax profits after making up losses and allocation of reserve fund may be distributed in proportion to the number of shares held by the shareholders upon a resolution of the general meeting.

Where the general meeting distributes profits to shareholders before losses have been covered and the statutory reserve fund has been withdrawn, which is in violation of the foregoing provision, the shareholders concerned shall refund to the company the profits distributed in violation of the foregoing provision; if the company incurs losses as a result, the shareholders and the responsible directors and senior management shall be liable for compensation.

Shares held by the company shall not be entitled to any distribution of profits.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of the company is used for making up losses, the discretionary reserve fund and statutory reserve fund shall be firstly used. If losses still cannot be made up, the capital reserve fund can be used according to the relevant provisions.

When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital before such conversion.

After the company's general meeting passes a resolution on profit distribution plans, the board of directors of the company shall complete the distribution of dividends (or shares) within 2 months after the general meeting is held.

Internal Audit

The company shall adopt an internal audit system and employ full-time audit staff, and shall carry out internal audit of and supervise the financial income and expenditure and operating activities of the company.

The company's internal audit system and the responsibilities of the audit personnel shall become effective after the approval of the Board. The person in charge of the audit shall be accountable and report to the Board.

Appointment of Accounting Firm

The company shall engage accounting firms that are qualified under the Securities Law, the GEM Listing Rules and other securities regulatory rules of the place where the company's shares are listed to audit its financial statements, verify its net assets, and provide other relevant consulting services. The accounting firms shall serve a term of one year and may be reengaged.

The appointment of the accounting firm engaged by the company shall be decided by the general meeting, the Board shall not engage any accounting firm prior to the decision of the general meeting.

The company shall undertake to provide the accounting firms with true and complete accounting vouchers, accounting books, financial reports and other accounting information, and shall not reject, conceal or misstate any information.

The auditing fees of the accounting firms shall be determined by the general meeting.

When the company is to dismiss or not to reappoint an accounting firm, it shall give fifteen days prior notice to the accounting firm. When a general meeting of the company votes on the dismissal of the accounting firm, the firm shall be allowed to represent its opinions.

Where the accounting firm resigns, it shall state to the general meeting whether the company has improper circumstances.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Companies may be merged through merger by absorption or through the establishment of a newly merged entity.

A company that absorbs other company is known as merger by absorption whereby the company being absorbed shall be dissolved. The merger of two or more companies by the establishment of a new company is known as merger by the establishment of a new company whereby the companies being merged shall be dissolved.

Where there is a merger, the parties to the merger shall enter into a merger agreement, and prepare balance sheets and lists of property. The company shall notify its creditors within 10 days from the date of adoption of the merger resolution and shall publish an announcement on the newspaper(s) designated by the company or National Enterprise Credit Information Publicity System within 30 days from the date of such resolution. A creditor may, within 30 days from the date of receipt of the written notice or, if he/she does not receive a written notice, within 45 days from the date of the announcement, require the company to pay off its debt or to provide corresponding guarantees.

After the company is merged, the claims and debts of each party to the merger shall be assumed by the company surviving the merger or the new company established resulting from the merger.

Where there is a division of the company, its assets shall be divided accordingly.

Where there is a division of the company, a balance sheet and an inventory of assets shall be prepared. The company shall notify its creditors within 10 days from the date of the division resolution and shall publish an announcement on the newspaper(s) designated by the company or National Enterprise Credit Information Publicity System within 30 days from the date of such resolution.

The company shall prepare a balance sheet and an inventory of assets when it reduces its registered capital.

The company shall notify its creditors within 10 days from the date of the resolution on the reduction of its registered capital and shall publish an announcement on the newspaper(s) designated by the company or National Enterprise Credit Information Publicity System within 30 days from the date of such resolution. A creditor may, within 30 days from the date of receipt of the written notice or, if he/she does not receive a written notice, within 45 days from the date of the announcement, require the company to pay off its debt or to provide corresponding guarantees.

Where the company reduces its registered capital, it shall reduce the amount of capital or shares according to the proportion of the shareholders' contributions or shareholdings, unless as otherwise provided by law, as otherwise provided for in the GEM Listing Rules, other securities regulatory rules of the place where the company's shares are listed, and these Articles of Association.

Changes in particulars of the company as a result of merger or division must be registered with the registration authorities in accordance with the laws. Cancellation of the company shall be registered in accordance with the laws when the company is dissolved. Incorporation of a company shall be registered when a new company is incorporated in accordance with the laws.

When the company increases or reduces the registered capital, it shall register with the relevant registration authority.

Dissolution and Liquidation

The company shall be dissolved for any of the following reasons:

(1) the term of its operations set out in these Articles of Association has expired or other events of dissolution specified in these Articles of Association have occurred;

(2) the general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license is revoked or the company is ordered to close-down or to be dissolved in accordance with the laws;

(5) the company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the shareholders, and no solution can be found through any other means, the shareholders holding ten percent or more of the total voting rights of the company may request the People's Court to dissolve the company.

In cases where the company falls under the circumstances specified in paragraph (1) or (2) above and has not yet distributed its assets to shareholders, it may continue its existence by amending these Articles of Association or by resolution of the general meeting.

The amendments to these Articles of Association or by resolution of the general meeting in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days after the occurrence of the cause of dissolution. The liquidation group shall be composed of directors. If the liquidators fail to fulfill their liquidation obligations in a timely manner, resulting in losses to the company or its creditors, they shall be liable for compensation. If a liquidation group is not established within the prescribed period or fails to proceed with liquidation after forming a liquidation group, any stakeholders may apply to the people's court to designate relevant individuals to form a liquidation group for the liquidation. The people's court shall accept the application and promptly organize a liquidation group to conduct the liquidation.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a bankruptcy liquidation.

After the people's court accepts the bankruptcy application, the liquidation group shall hand over liquidation affairs to the administrator designated by the people's court.

Liquidation of the company declaring bankruptcy according to laws shall be processed in accordance with the laws on corporate bankruptcy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Under any one of the following circumstances, the company will make amendment to the Articles of Association:

(1) after amendment has been made to the Company Law or relevant laws, administrative regulations, the GEM Listing Rules or the security regulatory rules of the place where the company's shares are listed, the contents of the Articles of Association shall conflict with the amended laws, administrative regulations or the listing rules of the stock exchange of the place where the company's shares are listed;

(2) the changes that the company has undergone are inconsistent with the records made in the Articles of Association;

(3) the general meeting decides that the Articles of Association should be amended.

Should the amendment to the Articles of Association passed by resolutions at the general meeting is subject to the approval by the competent authorities, it shall be reported to the competent authorities for approval; and if any company registration information is involved, the alteration to such registration information shall be handled according to laws.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was established under the laws of the PRC as a limited liability company on 22 January 2009 with an initial registered capital of RMB2,000,000.00. On 30 May 2019, our Company was converted to a joint stock company with limited liability under the PRC Company Law. The registered address and headquarters of our Company in the PRC is at New Material Zone, 9 He Zhuang, Zibo Economic Development Zone, Shandong Province, PRC. A summary of our Articles is set out in "Appendix VI – Summary of Articles of Association".

We have established a place of business in Hong Kong at Rooms 901–905, 9/F, Wing On Centre, 11 Connaught Road Central, Hong Kong, and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 September 2025. Mr. Yang Lei, one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of service of process and notice in Hong Kong. Our address for acceptance of service of process is Rooms 901–905, 9/F, Wing On Centre, 11 Connaught Road Central, Hong Kong.

As our Company was incorporated in the PRC, our operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix V and VI, respectively.

2. Changes in Share Capital of our Company

There have been no alterations of our share capital within the two years preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I to this document.

There has been no alteration in the total issued share capital of our subsidiaries during the two years immediately preceding the date of this document. See "History, Development and Corporate Structure – Our Subsidiaries".

4. Resolutions of our Shareholders in relation to the [REDACTED]

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on 10 September 2025, it was resolved, among others:

(a) our H Shares to be **[REDACTED]** on the Stock Exchange be issued;

(b) the number of H Shares to be issued pursuant to the **[REDACTED]**, and the grant to the Sole **[REDACTED]** of the **[REDACTED]** of not more than 15% of the number of H Shares issued pursuant to the **[REDACTED]**;

(c) subject to the completion of the **[REDACTED]**, the conditional adoption of the Articles of Association which shall become effective on the **[REDACTED]**, and authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the GEM Listing Rules; and

(d) authorization of our Board or its authorized persons to handle all matters relating to, among other things, the **[REDACTED]** and the **[REDACTED]**.

5. Restrictions on Repurchase

See "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" for details.

6. Corporate Reorganization

Our Company has not gone through any corporate reorganization. See "History, Development and Corporate Structure" for further details of the history and development of our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this document and are or may be material:

(a) the **[REDACTED]**.

2. Intellectual Property Rights of Our Group

(a) Patents

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
1.	A mixing and feeding device for cover plate mixtures and its working method* (一種溝蓋板混合料的攪拌給料裝置及其工作方法)	Invention Patent	Our Company	PRC	ZL201910696270.3	30 July 2019
2.	A sewer manhole cover* (一種下水道井蓋)	Invention Patent	Our Company	PRC	ZL202110094596.6	25 January 2021
3.	A composite resin cover production device* (複合樹脂蓋板生產裝置)	Invention Patent	Our Company	PRC	ZL202210093443.4	26 January 2022
4.	A fire-resistant Class A tunnel cover* (防火A級隧道蓋板)	Invention Patent	Our Company	PRC	ZL202310662174.3	6 June 2023
5.	A fire-resistant Class A tunnel cover* (一種防火A級隧道電纜溝蓋板)	Invention Patent	Our Company	PRC	ZL202310782835.6	29 June 2023

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
6.	A sheet metal laser cutting device* (一種板材激光切割裝置)	Invention Patent	Our Company	PRC	ZL202410107260.2	26 January 2024
7.	A cover polishing device* (一種蓋板的打磨裝置)	Invention Patent	Our Company	PRC	ZL202410116946.8	29 January 2024
8.	A cable cover material rapid mixing device* (一種電纜蓋板材料快速攪拌裝置)	Utility Model	Our Company	PRC	ZL201921032823.7	4 July 2019
9.	A water grate hole cleaner* (一種水篦子清孔器)	Utility Model	Our Company	PRC	ZL201921037802.4	4 July 2019
10.	A mold for making cable covers of varying lengths* (一種製作不同長度電纜蓋板的模具)	Utility Model	Our Company	PRC	ZL201921032805.9	4 July 2019
11.	A cable cover mold support device* (一種電纜蓋板模具支撐裝置)	Utility Model	Our Company	PRC	ZL201921032821.8	4 July 2019
12.	A press exhaust gas extraction device* (一種用於壓力機廢氣抽取裝置)	Utility Model	Our Company	PRC	ZL201921032754.X	4 July 2019
13.	A cable trench cover opening device* (一種電纜溝蓋板開啟裝置)	Utility Model	Our Company	PRC	ZL202020534190.6	13 April 2020
14.	A cable trench cover lifting device* (一種電纜溝蓋板提拉裝置)	Utility Model	Our Company	PRC	ZL202020534205.9	13 April 2020
15.	A waterproof and anti-theft cable trench cover* (一種具有防水防盜功能的電纜溝蓋板)	Utility Model	Our Company	PRC	ZL202020544713.5	14 April 2020
16.	A cable support for urban rail transit projects* (一種城市軌道交通工程電纜支架)	Utility Model	Our Company	PRC	ZL202020542324.9	13 April 2020
17.	A cable trench cover handling device* (一種電纜溝蓋板搬運裝置)	Utility Model	Our Company	PRC	ZL202020533422.6	13 April 2020
18.	A multifunctional tree guard* (一種多功能護樹板)	Utility Model	Our Company	PRC	ZL202020542321.5	13 April 2020

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
19.	A tree guard that can be used as a leisure seat* (一種可用作休閒座椅的護樹板)	Utility Model	Our Company	PRC	ZL202020544340.1	14 April 2020
20.	A simple anti-theft composite manhole cover* (一種簡易防盜複合井蓋)	Utility Model	Our Company	PRC	ZL202020544353.9	14 April 2020
21.	A high-strength cast iron manhole cover* (一種高強度鑄鐵井蓋)	Utility Model	Our Company	PRC	ZL202020544726.2	14 April 2020
22.	A drain cover with an anti-theft function* (一種具有防盜功能的排水溝蓋板)	Utility Model	Our Company	PRC	ZL202020545174.7	14 April 2020
23.	A wear-resistant and pressure-resistant composite manhole cover* (一種耐磨耐壓複合井蓋)	Utility Model	Our Company	PRC	ZL202020551366.9	15 April 2020
24.	A municipal road drain cover cleaning device* (一種市政道路水溝蓋板清洗裝置)	Utility Model	Our Company	PRC	ZL202020551850.1	15 April 2020
25.	A buckled groove-type rain-proof and sand-proof cable trench cover for a substation* (一種變電站扣槽式防雨防風沙電纜溝蓋板)	Utility Model	Our Company	PRC	ZL202120060202.0	11 January 2021
26.	A cable trench cover structure composed of carbon fiber material* (一種碳纖維材料組成的電纜溝蓋板結構)	Utility Model	Our Company	PRC	ZL202121120917.7	24 May 2021
27.	A high-strength SMC cable trench cover* (一種高強度SMC電纜溝蓋板)	Utility Model	Our Company	PRC	ZL202121120937.4	24 May 2021
28.	Automatic material transfer device for composite resin covers* (複合樹脂蓋板用材自動轉運裝置)	Utility Model	Our Company	PRC	ZL202122894791.5	19 November 2021
29.	A fluorescent tunnel cover* (一種螢光隧道蓋板)	Utility Model	Our Company	PRC	ZL202222408104.9	9 September 2022
30.	A fire-resistant Class A tunnel cable trench cover* (一種防火A級隧道電纜溝蓋板)	Utility Model	Our Company	PRC	ZL202222408863.5	9 September 2022

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
31.	A fluorescent composite manhole cover* (一種帶有螢光的複合井蓋)	Utility Model	Our Company	PRC	ZL202320179131.5	8 February 2023
32.	Cable trench cover with a locking and limiting function* (具有卡合限位功能的電纜溝蓋板)	Utility Model	Our Company	PRC	ZL202321252224.2	23 May 2023
33.	Cable trench cover (composite material) (電纜溝蓋板(複合材料))	Design Patent	Our Company	PRC	ZL201930704686.6	17 December 2019
34.	Cable trench cover (composite material) (電纜溝蓋板(複合材料))	Design Patent	Our Company	PRC	ZL201930704543.5	17 December 2019
35.	Cable trench cover (composite material) (電纜溝蓋板(複合材料))	Design Patent	Our Company	PRC	ZL201930704566.6	17 December 2019
36.	Integrated automatic production system for composite resin covers* (複合樹脂蓋板一體化自動生產系統)	Invention Patent	Our Company and Zhongdian (Shandong)	PRC	ZL202210530626.8	16 May 2022
37.	Automatic feeding device for composite resin covers* (複合樹脂蓋板自動化進料裝置)	Utility Model	Our Company and Zhongdian (Shandong)	PRC	ZL202221277900.7	25 May 2022
38.	A composite resin cover transfer device* (一種複合樹脂蓋板轉運裝置)	Utility Model	Our Company and Zhongdian (Shandong)	PRC	ZL202221453489.4	8 June 2022
39.	A steel frame container for composite resin covers* (複合樹脂蓋板以鋼筋骨架盛裝裝置)	Utility Model	Our Company and Zhongdian (Shandong)	PRC	ZL202221423809.1	8 June 2022
40.	Automated BMC material loading box for covers* (蓋板用BMC材料自動化裝料盒)	Utility Model	Our Company and Zhongdian (Shandong)	PRC	ZL202221485937.9	14 June 2022
41.	Automated production line for BMC molded products* (BMC模壓製品自動化生產線)	Invention Patent	Zhongdian (Shandong)	PRC	ZL202310003235.5	3 January 2023

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
42.	A cable trench cover mounting rack* (一種電纜溝蓋板安裝架)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022885014.X	3 December 2020
43.	A cable trench cover locking and anti-breakage device* (一種電纜溝蓋板閉鎖防外破裝置)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022896705.X	3 December 2020
44.	A mold steering mechanism for a single-arm hydraulic press* (一種單臂液壓機的模具轉向機構)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022899740.7	3 December 2020
45.	A cable trench cover forming mold* (一種電纜溝蓋板的成型模具)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022897499.4	3 December 2020
46.	A cable trench cover handling device* (一種電纜溝蓋板搬運裝置)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022888688.5	3 December 2020
47.	A highway tunnel cover* (一種高速公路隧道蓋板)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022894935.2	4 December 2020
48.	A cable trench cover clamp* (一種電纜溝蓋板夾)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022887721.2	4 December 2020
49.	A cable trench cover mold assembly* (一種電纜溝蓋板的模具組)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022887008.8	4 December 2020
50.	A cable trench cover clamp mold* (一種電纜溝蓋板夾模具)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022887161.0	4 December 2020
51.	A heating machine chain base mounting structure* (一種加溫機鏈條底座安裝結構)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022883997.3	4 December 2020
52.	A corrosion-resistant cable trench cover* (一種耐腐蝕型電纜溝蓋板)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022905971.4	5 December 2020
53.	A silent double-concave and double-convex cable trench cover* (一種靜音雙凹雙凸電纜溝蓋板)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022918113.3	5 December 2020
54.	A mold heating machine* (一種模具加溫機)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022905960.6	5 December 2020

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
55.	A kneading machine with extrusion molding function* (一種具有擠壓成型功能的捏合機)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022888359.0	5 December 2020
56.	A kneading machine with filtering function* (一種具有過濾功能的捏合機)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022888209.X	5 December 2020
57.	A cable trench cover that is easy to lift and place* (一種易於抬放的電纜溝蓋板)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022928713.8	7 December 2020
58.	A tunnel trench cover mold* (一種隧道溝槽蓋板模具)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022928757.0	7 December 2020
59.	A new type of cable trench cover* (一種新型的電纜溝蓋板)	Utility Model	Zhongdian (Shandong)	PRC	ZL202022928989.6	7 December 2020
60.	A multi-station collaborative auxiliary robot* (一種多工位協同作業的輔助機器人)	Utility Model	Zhongdian (Shandong)	PRC	ZL202222409060.1	9 September 2022
61.	A BMC material extrusion device* (一種BMC材質擠出裝置)	Utility Model	Zhongdian (Shandong)	PRC	ZL202222803734.6	24 October 2022
62.	A BMC material automatic weighing and packaging device* (一種BMC材質自動稱重包裝裝置)	Utility Model	Zhongdian (Shandong)	PRC	ZL202320189074.9	9 February 2023
63.	Automated equipment for producing covers* (一種用於生產蓋板的自動化設備)	Invention Patent	Our Company	PRC	ZL202410311278.4	19 March 2024
64.	A composite molding compound manhole cover manufacturing method and manhole cover* (一種複合模塑膠井蓋的製造方法及井蓋)	Invention Patent	Our Company	PRC	ZL202210618169.8	1 June 2022
65.	A high-strength SMC cable trench cover and its processing technology* (一種高強度SMC電纜溝蓋板及其加工工藝)	Invention Patent	Our Company	PRC	ZL202110565847.4	24 May 2021

No.	Patent Name	Type	Patent Owner	Place of Registration	Patent Number	Effective Date
66.	A cable trench cover structure composed of carbon fiber material* (一種碳纖維材料組成的電纜溝蓋板結構)	Invention Patent	Our Company	PRC	ZL202110567696.6	24 May 2021
67.	A photovoltaic frame processing equipment* (一種光伏框架的加工設備)	Invention Patent	Our Company	PRC	ZL202410248631.9	5 March 2024
68.	Trench cover* (溝蓋板)	Design Patent	Our Company, Yunnan Transportation Science Research Institute Co., Ltd.* (雲南省交通科學研究院有限公司)	PRC	ZL202430582534.4	12 September 2024
69.	Composite cover finished product transfer and stacking device and transfer and stacking method* (一種復合蓋板成品轉運疊摞裝置及轉運疊摞方法)	Invention Patent	Our Company and Zhongdian (Shandong)	PRC	ZL202510148625.0	29 July 2025

(b) 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	Class of Registration	Trademark Owner	Place of Registration	Registration Number	Expiry Date
1.		19	Our Company	PRC	25552949	20 July 2028
2.		19	Our Company	PRC	20930651	6 October 2027
3.		17	Our Company	PRC	13395756	13 February 2035

No.	Trademark	Class of Registration	Trademark Owner	Place of Registration	Registration Number	Expiry Date
4.		35	Our Company	PRC	31814664	20 June 2029
5.		35	Zhongdian (Shandong)	PRC	44194564	6 August 2031
6.		19	Zhongdian (Shandong)	PRC	44191734	6 August 2031
7.		19	Our Company	PRC	85933882	27 January 2036
8.		35	Our Company	PRC	85940613[(1)]	20 March 2036
9.		19	Our Company	Hong Kong	306937606	19 June 2035

Note:

(1) The trademark was announced as approved for registration by China Trademark Office on 20 March 2026. As of the Latest Practicable Date, we have not obtained the trademark registration certificate.

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyright which we consider to be or may be material to our business:

No.	Copyright	Copyright Owner	Registration Number	Registration Date
1.	ZDDL	Zhongdian (Shandong)	Guozuo Dengzi-2022-F-10071556* (國作登字-2022-F-10071556)	6 April 2022

(d) Software Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Software Name	Copyright Owner	Registration Number	Registration Date
1.	Composite Operator Production Management Software V1.0* (複合算子生產製作管理軟件V1.0)	Our Company	2021SR0264210	20 February 2021
2.	Composite Operator Material Rapid Mixing Control System V1.0* (複合算子材料快速攪拌管控系統V1.0)	Our Company	2021SR0264205	20 February 2021
3.	Composite Operator Intelligent Production Control System V1.0* (複合算子智能化生產控制系統V1.0)	Our Company	2021SR0273301	22 February 2021
4.	Composite Operator Mixed Material Feeding Device Control System V1.0* (複合算子混合料攪拌給料裝置控制系統V1.0)	Our Company	2021SR0264206	20 February 2021
5.	Composite Operator Quality Detection System V1.0* (複合算子質量檢測系統V1.0)	Our Company	2021SR0273313	22 February 2021
6.	Composite Manhole Cover Welding Machine Control System V1.0* (複合井蓋電焊機控制系統V1.0)	Our Company	2018SR556250	17 July 2018
7.	Composite Manhole Cover Welding Machine Slag Management System V1.0* (複合井蓋電焊機焊渣清理系統V1.0)	Our Company	2018SR556502	17 July 2018
8.	Composite Manhole Cover Welding Machine Automatic Detection System* (複合井蓋電焊機自動檢測系統V1.0)	Our Company	2018SR556245	17 July 2018
9.	Composite Manhole Cover Sheet Machine Control System V1.0* (複合井蓋片材機控制系統V1.0)	Our Company	2018SR556376	17 July 2018
10.	Composite Manhole Cover Sheet Machine Heating Temperature Control System V1.0* (複合井蓋片材機加熱溫度控制系統V1.0)	Our Company	2018SR556378	17 July 2018
11.	Composite Cover Plate Mixer Control System V1.0* (複合蓋板捏合機控制系統V1.0)	Our Company	2018SR551371	13 July 2018

No.	Software Name	Copyright Owner	Registration Number	Registration Date
12.	Composite Cover Plate Mixer Frequency Control System V1.0* (複合蓋板捏合機變頻調速系統V1.0)	Our Company	2018SR559560	17 July 2018
13.	Composite Cover Plate Mixer Constant Temperature Water Supply System V1.0* (複合蓋板捏合機恒溫供水系統V1.0)	Our Company	2018SR557559	17 July 2018
14.	Composite Cover Plate Cutting Machine Control System V1.0* (複合蓋板切斷機控制系統V1.0)	Our Company	2018SR559467	17 July 2018
15.	Composite Cover Plate Cutting Machine Hydraulic Control System V1.0* (複合蓋板切斷機液壓控制系統V1.0)	Our Company	2018SR559480	17 July 2018
16.	Composite Pipe Bending Machine Control System V1.0* (複合篦子折彎機控制系統V1.0)	Our Company	2018SR559569	17 July 2018
17.	Composite Pipe Pressure Testing Machine Control System V1.0* (複合篦子測壓機控制系統V1.0)	Our Company	2018SR559457	17 July 2018
18.	Composite Pipe Hydraulic Machine Control System V1.0* (複合篦子液壓機控制系統V1.0)	Our Company	2018SR559550	17 July 2018
19.	Composite Grate Hydraulic Press Leakage Information Alert System V1.0* (複合篦子液壓機洩露信息警示系統V1.0)	Our Company	2018SR559577	17 July 2018
20.	Composite Electronic Dispersion Machine Control System V1.0* (複合篦子分散機控制系統V1.0)	Our Company	2018SR559449	17 July 2018
21.	Multi-dimensional State Big Data Analysis System for Intelligent Manhole Covers V1.0 (智慧井蓋多維度大數據分析系統V1.0)	Our Company	2026SR0648842	8 June 2026
22.	Mold Heating Machine Intelligent Temperature Control System V1.0* (模具加溫機智能化溫控系統V1.0)	Zhongdian (Shandong)	2021SR0212142	7 February 2021
23.	Four-Column Hydraulic Press Forming Control Software V1.0* (四柱液壓機壓製成型控制軟件V1.0)	Zhongdian (Shandong)	2021SR0206121	5 February 2021

No.	Software Name	Copyright Owner	Registration Number	Registration Date
24.	Highway Tunnel Cover Plate Quality Detection System V1.0* (高速路隧道蓋板質量檢測系統V1.0)	Zhongdian (Shandong)	2021SR0204719	5 February 2021
25.	Kneading Machine Raw Material Mixing and Feeding Control Software V1.0* (捏合機原料混合攪拌上料管控軟件V1.0)	Zhongdian (Shandong)	2021SR0206483	5 February 2021
26.	Automatic Butt Welding Machine Intelligent Welding Control System V1.0* (自動對焊機智能化焊接控制系統V1.0)	Zhongdian (Shandong)	2021SR0206488	5 February 2021
27.	Highway Tunnel Cover Plate Production Process Control System V1.0* (高速路隧道蓋板生產工藝控制系統V1.0)	Zhongdian (Shandong)	2021SR0204720	5 February 2021
28.	Composite Cable Trench Cover Plate Production Process Online Management System V1.0* (複合電纜溝蓋板生產流程在線管理系統V1.0)	Zhongdian (Shandong)	2021SR0204721	5 February 2021
29.	Kneader Raw Material Mixing and Stirring Control System V1.0* (捏合機原料混合攪拌控制系統V1.0)	Zhongdian (Shandong)	2021SR0209279	5 February 2021

(e) Domain Names

As of the Latest Practicable Date, we had registered and maintained ownership to the following domain names in China which we consider to be or may be material to our business:

No.	Domain Name	Owner	Expiry Date
1.	baogai.net	Our Company	29 March 2027
2.	zhongdiansd.cn	Zhongdian (Shandong)	10 January 2027
3.	zhongdiansd.net	Zhongdian (Shandong)	10 January 2027
4.	xianbaogai.com	Xi'An Baogai	18 November 2026

Save as disclosed above, as of the Latest Practicable Date, there were no other patents, trade or service marks, intellectual or industrial property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of our Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

None of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

2. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "DIRECTORS AND SUPERVISORS' REMUNERATION" and Note 8 to "Appendix I – Accountants' Report", for the three years ended 31 December 2023, 2024 and 2025, none of our Directors or Supervisors received other remunerations or benefits in kind from us.

3. Disclosure of interests

(a) Disclosure of interests of Directors, Supervisors and chief executive of our Company

Immediately following the completion of the **[REDACTED]** and assuming no exercise of the **[REDACTED]**, the interest and/or short position (as applicable) of our Directors, Supervisors and chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were 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,

pursuant to the "required standard of dealings" as contained in Chapter 5 of the GEM Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, once the H Shares are **[REDACTED]**, will be as follows:

(i) Interests in our Company

		Shares held as of the Latest Practicable Date			Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of interest	Type of Shares[4]	Number of Shares[1]	Approximate percentage of shareholding in the total issued share capital of the Company	Type of Shares[4]	Number of Shares[1]	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. Liu	Beneficial interest	Non-H Shares	25,479,801	58.71%	Non-H Shares	[REDACTED]	[REDACTED]
	Interest of spouse[2]	Non-H Shares	12,320,000	28.39%	Non-H Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporation[3]	Non-H Shares	4,200,000	9.68%	Non-H Shares	[REDACTED]	[REDACTED]
Ms. Li	Beneficial interest	Non-H Shares	12,320,000	28.39%	Non-H Shares	[REDACTED]	[REDACTED]
	Interest of spouse[2]	Non-H Shares	29,679,801	68.39%	Non-H Shares	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) Mr. Liu and Ms. Li are spouses. Accordingly, they are deemed to be interested in the same number of Shares that the other person is interested in for the purpose of the SFO.

(3) As of the Latest Practicable Date, Baocheng was owned by Mr. Liu as to approximately 12.54%. Mr. Liu was the sole general partner of Baocheng and Baocheng was interested in approximately 9.68% Non-H Shares. Accordingly, Mr. Liu is deemed to be interested in the Non-H Shares held by Baocheng under the SFO.

(4) For the avoidance of doubt, both Non-H Shares and H Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares.

(ii) Interests in associated corporations of our Company

To the best knowledge of our Directors, save for otherwise disclosed in this document, none of our Directors, Supervisors or chief executive of our Company has interests or short positions in the shares, underlying shares or debentures of the associated corporations of our Company.

(b) Disclosure of interests of substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, immediately following the completion of the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

4. Agency Fees or Commissions Received

Save as disclosed in the section headed "**[REDACTED]**", no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital or security of any member of our Group.

5. Disclaimers

Save as disclosed in this section and the section headed "Business" in this document:

(a) none of our Directors, Supervisors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are **[REDACTED]**;

(b) None of our Directors, Supervisors or any of the experts referred to under paragraph headed "D. Other Information – 12. Qualification of Experts" in this appendix is

  (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or

  (ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(c) so far as is known to our Directors, Supervisors or the chief executive of our Company, no person (not being a Director, Supervisor or chief executive of our Company) will, immediately following the completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of 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 general meetings of any member of our Group; and

(d) none of our Directors, Supervisors or their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

2. Litigation

Save as disclosed in the sections headed "Business" and "Financial Information" in this document, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

3. Application for [REDACTED]

The Sole Sponsor has made an application on behalf of our Company to the **[REDACTED]** for the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares in issue and to be issued as mentioned in this document. All necessary arrangements have been made to enable the securities to be admitted into **[REDACTED]**.

4. Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules. The sponsor fee payable to the Sole Sponsor in connection with the **[REDACTED]** payable by our Company is HK$**[REDACTED]**.

5. Compliance Adviser

Our Company has appointed Zhongtai International Capital Limited as our compliance adviser in compliance with Rule 6A.19 of the GEM Listing Rules.

6. Preliminary Expenses

As of the Latest Practicable Date, our Company had not incurred material preliminary expenses.

7. Promoters

Mr. Liu and Ms. Li are the promoters of our Company. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connection with the **[REDACTED]** or related transactions herein.

8. Consents of Experts

Each of the experts as referred to in "D. Other Information – 12. Qualification of Experts" in this Appendix has given and has not withdrawn its consent to the issuance of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Document from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

11. Taxation of Holders of H Shares

(a) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

(b) Consultation with Professional Advisers

Intending holders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasized that none of our Company, our Directors, Supervisors or the other parties involved in the **[REDACTED]** will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

12. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained herein:

Names	Qualifications
Zhongtai International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Beijing Yingke Law Firm	Legal adviser to our Company as to PRC law
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
AP Appraisal Limited	Independent property valuer

13. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position since 31 December 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

14. Miscellaneous

Save as disclosed in this section and in the section headed "Financial Information" in this document:

(a) within the two years immediately preceding the date of this document, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue founder, management or deferred shares or any deferred debentures;

(d) our Company has no outstanding convertible debt securities;

(e) within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(h) save as disclosed in the section headed "History, Development and Corporate Structure" in this document, none of our equity securities is **[REDACTED]** or **[REDACTED]** with on Stock Exchange or any other Stock Exchange; and

(i) our Company is a joint stock limited company and is subject to the PRC Company Law.

* *For identification purposes only*

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to "Appendix VII – Statutory and General Information – B. FURTHER INFORMATION ABOUT OUR BUSINESS – 1. Summary of Material Contracts"; and

(b) the written consents referred to "Appendix VII – Statutory and General Information – D. OTHER INFORMATION – 8. Consents of Experts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.baogai.net** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the accountants' report from KPMG, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the years ended 31 December 2023, 2024 and 2025;

(d) the report from KPMG on the unaudited **[REDACTED]** financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the industry report prepared by Frost & Sullivan referred to in "Industry Overview" in this document;

(f) the valuation report prepared by AP Appraisal Limited, the text of which is set out in Appendix III to this document;

(g) the PRC legal opinions issued by Beijing Yingke Law Firm, our legal advisers as to PRC laws, in respect of, among other things, the general matters of our Group under the PRC laws;

(h) material contracts referred to "Appendix VII – Statutory and General Information – B. FURTHER INFORMATION ABOUT OUR BUSINESS – 1. Summary of Material Contracts";

(i) the service contracts and appointment letters referred to in "Appendix VII – Statutory and General Information – C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS – 1. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters";

(j) the written consents referred to "Appendix VII – Statutory and General Information – D. OTHER INFORMATION – 8. Consents of Experts" in this Document; and

(k) a copy of the PRC Company Law, the PRC Securities Law and the Trial Measures for the Administration on 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), together with unofficial English translations thereof.