SICC CO., LTD.

山東天岳先進科技股份有限公司

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

(Stock Code: 2631)

Announcement on Uncovered Losses Reaching One-Third of the Total Paid-in Share Capital

The Board of Directors and all directors of the Company guarantee that there are no false records, misleading statements or major omissions contained in the contents of this Announcement, and would like to assume legal liabilities for the authenticity, accuracy and completeness of such contents.

SICC CO., LTD. (hereinafter referred to as the "**Company**") convened the 19th meeting of the 2nd Board of Directors on 27 March 2026, and deliberated and approved the Proposal on Uncovered Losses Reaching One-Third of Total Paid-in Share Capital. The relevant matters are hereby announced as follows:

I. Overview

According to the auditor's report issued by BDO China Shu Lun Pan Certified Public Accountants LLP, as at 31 December 2025, the accumulated undistributed losses of the Company on a consolidated basis were RMB-331,290,533.34, and the total paid-in share capital was RMB484,618,544.00. The Company's uncovered losses exceeded one-third of its total paid-in share capital. Pursuant to the relevant provisions of the Company Law and the Articles of Association of the Company, the above matter needs to be submitted to the shareholders' meeting for deliberation.

II. Main Reasons for the Losses

During the Reporting Period, the changes in the Company's performance were affected by a combination of factors:

(A) At the revenue side, the sales volume of the Company's substrate products increased year-on-year. However, due to intensified market competition in the domestic silicon carbide substrate industry and the Company's implementation of a phased market strategy adjustment to expand market share and consolidate its industry position, the average selling price of products decreased, ultimately leading to a year-on-year decline in the Company's overall revenue scale.

(B) At the expense side, to actively promote the commercial application of large-size products in emerging application markets, the Company intensified its market promotion and channel development efforts, resulting in an increase in selling expenses year-on-year; simultaneously, to maintain its technological leadership in the silicon carbide substrate field, the Company continued to focus on R&D for large-size substrates and new processes, leading to a year-on-year increase in R&D investment, with sustained efforts in core technology development.

(C) At the profit & loss side, tax-related matters led to an increase in income tax expenses and surcharges; the decline in product prices resulted in an overall decrease in gross profit margin; fluctuations in RMB exchange rates caused an increase in foreign exchange translation losses; based on changes in the market environment, the Company recognized impairment provisions for related assets at the end of the period; and additionally, the Company incurred relevant expenses related to its overseas listing process.

The combined effect of the above factors led to a significant decline and a shift from profit to loss in both net profit attributable to owners of the parent company and net profit attributable to owners of the parent company after deducting non-recurring gains and losses.

III. Countermeasures

The Company's management will continue to make efforts in the following areas to improve the Company's operating performance:

1. Remaining Focused on the Core Business, and Steadily Increasing Large-Size Product Capacity and Effective Utilization Rate

The Company will continue to prioritize its core business of silicon carbide substrates. Centered on its two main bases in Jinan and Shanghai Lingang, it will systematically review and optimize the production capacity structure and scheduling of existing 6/8-inch production lines, prudently advance capital expenditures, and steadily improve effective capacity utilization and delivery capabilities. It will also enhance overall output efficiency and ensure supply stability to customers through process optimization, debottlenecking of capacity-constrained processes, and intelligent production scheduling.

2. Deepening the Mainstream Application of 8-Inch Substrates, and Proactively Advancing the Industrialization of a Full Range of 12-Inch Products

The Company will continue to prioritize "keeping absolute leadership in 8-inch products, becoming a preferred supplier for top global customers, and setting the benchmark for mass production of high-quality large-size substrates" as its annual operational focus. For 8-inch products, the Company plans to continue increasing the proportion of 8-inch products in 2026. This will be achieved by further improving the yield and stability of 8-inch products to solidify their dominant position in revenue, while simultaneously accelerating mass production adoption with more automotive-grade and industrial customers. For 12-inch products, building on the successful technology breakthroughs for the full series of conductive N-type, P-type, and high-purity semi-insulating products, the Company will focus on advancing collaborations with leading customers, laying the foundation for rapid industrialization when conditions for large-scale delivery become available.

3. **Building Brand Strength Based on High Quality and Superior Service, and Maintaining Healthy Profit Margins in the Industry**

In 2026, the Company plans to build its brand on the foundation of high-quality products and high-quality services, establishing a path to profitability anchored by technology and service quality, and maintaining healthy industry profit margins. The Company will adhere to value-based pricing, while considering factors like product size, quality, service content, and long-term strategic supply capability. It will establish long-term cooperative relationships with customers based on performance and reliability, avoiding "involution"-style price competition. It will prioritize customer satisfaction, yield, and delivery timeliness, ensure cost reduction and efficiency improvement efforts proceed smoothly through process advancements and lean manufacturing, and use internally generated profitability to support continuous R&D and investment in smart factory upgrades, thereby effectively enhancing operational quality.

4. **Focusing on the Dual Drivers of "AI+ New Energy", and Systematically Optimizing Product and Market Structure**

The Company will optimize its resource allocation around the dual tracks of "New Energy + AI". On one hand, it will continue to deeply cultivate traditional high-growth sectors such as new energy vehicles, photovoltaic energy storage, power grids, and industrial applications, ensuring stable supply of automotive-grade 6/8-inch conductive substrates to support the rapid increase in silicon carbide penetration in the downstream xEV field. On the other hand, it will focus on new application areas such as AI data center power supplies, advanced packaging thermal management, and AI/AR glasses optical waveguides. It will improve its product line layout for conductive substrates, optical-grade substrates, and advanced packaging materials, strengthen joint development with leading customers in power electronics, AI computing, and optics, increase the revenue share of non-automotive businesses, and enhance overall gross profit and brand profile through multi-scenario, high-barrier applications, thereby improving profit flexibility.

5. Reinforcing Cost Reduction, Efficiency Enhancement and Lean Manufacturing, and Solidifying Cost Advantages

As industry competition enters a new phase, the Company plans to further strengthen cost and efficiency management. In 2026, the Company will continue to explore potential in areas such as crystal growth quality improvement, low-defect manufacturing, and intelligent production scheduling to effectively reduce unit costs. Concurrently, leveraging an AI + intelligent manufacturing management system, it will monitor and optimize parameters across the entire process of crystal growth, slicing, grinding, polishing, and cleaning with greater granularity, reducing labor costs, and improving yield and consistency. Furthermore, the Company will diversify its supply chain on the procurement side to smooth out raw material price fluctuations. At the operational level, the Company will set phased targets around core metrics such as unit cost, unit energy consumption, and unit labor efficiency to maintain reasonable gross profit amidst competition.

6. Consolidating and Expanding Relationships with Top-Tier Global Customers, and Enhancing International Operational Capabilities on the "A+H" Platform

The Company will continue to bind with key customers and serve diversified end-market segments. On one hand, it will solidify long-term cooperation with leading global power semiconductor manufacturers, ensuring its core position in their global supply chains by meeting their continuously evolving product specifications. On the other hand, it will accelerate the pace of joint development and industrialization with leading customers in fields such as AI data centers, power grids, micro-nano optics, and advanced packaging, pushing more new application projects into mass production. Leveraging the "A+H" dual listing platform established in 2025, the Company will simultaneously improve its overseas sales and technical support networks, enhancing cross-regional delivery, settlement, and compliance capabilities, laying the groundwork for future overseas capacity expansion and larger-scale international operations.

7. Continuing to Increase R&D Investment and Talent Development, and Strengthening the Dual Moat of "Technology + Intellectual Property"

Building on R&D expenses of RMB166 million in 2025, and a year-on-year increase of 16.91%, the Company plans to maintain R&D investment intensity, focusing funds on new material directions such as 12-inch products, liquid-phase P-type substrates, various conductive substrates for new applications in the power electronics field, optical substrates, advanced packaging thermal materials, and radio frequency applications. Simultaneously, it will continue to advance the implementation of ongoing R&D projects, improving the efficiency of transition from basic research to product development, pilot testing, and then to mass production. Regarding talents, the Company will attract and stabilize high-level talent through incentive measures, research platforms, and international collaborations, ensuring its long-term competitiveness at future industry technology inflection points and application shifts.

By order of the Board
SICC CO., LTD.
Mr. Zong Yanmin
Chairman of the Board,
Executive Director and General Manager

Hong Kong, 27 March 2026

As at the date of this announcement, the Board comprises: (i) Mr. Zong Yanmin, Mr. Gao Chao and Mr. Wang Junguo as executive Directors; (ii) Mr. Qiu Yufeng, Ms. Li Wanyue and Mr. Fang Wei as non-executive Directors; and (iii) Mr. Li Honghui, Ms. Liu Hua and Mr. Lai Kwok Hung Alex as independent non-executive Directors.