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Post Hearing Information Pack of

Epiworld International Co., Ltd.

瀚天天成电子科技(厦门)股份有限公司

(the "**Company**")

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

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瀚天天成电子科技(厦门)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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EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

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Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Document.

OVERVIEW

We are a global leader in the silicon carbide (SiC) epitaxy industry. We have been primarily engaged in the research and development, mass production and sales of SiC epitaxial wafers, components used in the manufacturing of SiC semiconductor devices. Our customers utilize our SiC epitaxial wafers to manufacture their power devices for a wide range of downstream applications like EVs, charging infrastructure, renewable energy, ESS and etc. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume, with a market share exceeding 30% in 2024.

Market Leadership

Largest

World's largest SiC epitaxial foundry[1]

First

in the commercialization of 8-inch SiC epitaxial wafer in the open market[2]

Leader

of setting industry standards[3]

Commercial Success

599,700

SiC epitaxial wafers delivered during the Track Record Period

4/5 7/10

Choice of world's top power device providers[4]

Net Profits

of RMB127.5m, RMB107.5m, and RMB165.1m in 2022, 2023 and 2024, respectively[5]

Notes:

1. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume.
2. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers, according to CIC.
3. We led the writing and establishment of the world's first and only Semiconductor Equipment and Materials International (SEMI) industry standard for SiC epitaxy.
4. Four of the world's top five SiC power device providers and seven of the top ten power device providers, by volume, are our customers, according to CIC.
5. In addition, we recorded net profits of RMB118.4 million and RMB21.1 million for the nine months ended September 30, 2024 and 2025, respectively; and adjusted net profits (Non-IFRS measure) of RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.
6. We operate within a specialized segment of the broader global power semiconductor market. Given the complexity, vast scale, and diverse range of participants in the global power semiconductor value chain, our share of the overall market remains relatively limited.

We had revenue of RMB440.7 million, RMB1,142.5 million, RMB974.3 million, RMB808.3 million and RMB535.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. From 2023 to 2025, the semiconductor industry witnessed a sequential inventory adjustment across its downstream applications. According to CIC, this process started in the consumer electronics segment in 2022 before impacting semiconductors power devices, particularly in automotive, in 2023. Given the intricate industry chain, this de-stocking wave gradually moved upstream to our segment of the value chain, leading to a decline in our sales and revenue. Semiconductor inventory cycles, typically lasting three to four years, are primarily driven by shifts in downstream demand, capacity expansion cycles, and macroeconomic factors. The current adjustment is anticipated to end in the second half of 2026 and is seen as a cyclical adjustment during the semiconductor industry cycle instead of a structural market deterioration. According to CIC, the recent cyclical fluctuations have been driven primarily by adjustments in downstream supply and demand as well the impact from the transition from 4-inch to 6-inch and 8-inch wafers. Against this industry backdrop, we have faced pricing pressure, as our product pricing is influenced by downward industry-wide prices since 2023, resulted in a decrease in our revenue from 2023 to 2024. However, from a long-term perspective, demand for SiC and SiC epitaxial wafers remains on a solid growth trajectory, driven by strong potential in sectors like EVs, charging infrastructure, renewable energy, ESS, as well as emerging applications such as home appliances, AI computing power and data centers, smart grids, and eVTOL. As the world's largest SiC epitaxial foundry by annual sales volume since 2023, we believe that we are well-positioned to capture the future growth. Our business is underpinned by competitive advantages, including technological expertise, cost efficiency, stable supply chain and customer loyalty, which allow us to navigate industry cycles resiliently. We are prepared to capture future growth and solidify our financial performance as the global SiC epitaxial market regains momentum.

Our deep knowledge of SiC epitaxy technology enables us to stay at the frontline of the SiC epitaxy industry and provide high quality and reliable products to our customers. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers and the first in China to commercialize and mass-produce 3-inch, 4-inch, 6-inch, and 8-inch SiC epitaxial wafers. We led the writing and establishment of the world's first and only Semiconductor Equipment and Materials International (SEMI) industry standard for SiC epitaxy. In 2024, our cumulative sales—combining sales under Turnkey and Consign models—exceeded 164,000 SiC epitaxial wafers. During the Track Record Period, we have delivered a total of over 599,700 SiC epitaxial wafers.

During the Track Record Period, we had 134 customers. Our customers included four of the world's top five SiC power device providers and seven of the top ten power device providers, according to CIC. SiC power devices fabricated using our epitaxial wafers exhibit stable performance in high-temperature and high-power use. Our customers utilize our SiC epitaxy wafers to manufacture their products, typically power devices, for a wide range of downstream industrial applications, such as EVs, charging infrastructure, renewable energy, ESS, as well as emerging applications such as home appliances, AI computing power and data centers, smart grids, and eVTOL. For example, our products can be adopted in EVs to enable smaller, lighter and more power-efficient devices such as 800V powertrains, particularly in inverters and converters. This application allows high-voltage operations with minimal energy loss for EVs, which translate into longer range, faster charging and reduced cooling demands. During the Track Record Period, we acquired new customers primarily through active market engagement efforts, including participation in industry exhibitions and academic conferences, as well as through customer referrals. Our technical expertise, large production capacity, systematic quality assurance procedure, consistent delivery, and reliable customer services have earned us long-term recognition and loyalty from customers. These qualities not only strengthen customer retention but also provide us with unique growth opportunities.

Our founder, Dr. Zhao Jianhui, is a renowned scientist with over 35 years of dedicated R&D experience in SiC technology development. He is the first scientist elected as an IEEE Fellow based on significant contributions to the R&D and application of SiC technologies. The expertise of Dr.

Zhao and our R&D team formed the core of our technological competitiveness. We successfully developed a proprietary platform for SiC epitaxy, covering the entire epitaxial growth process, including pre-growth preparation, epitaxial growth, cleaning, and inspection.

Among SiC epitaxial foundries worldwide, we achieved reliable performance in terms of product quality, yield rates and consistency. According to CIC, our products lead the industry in key performance metrics for SiC epitaxial products, including epitaxial thickness, doping concentration, epitaxial defect and yield rates. For example, for our Consign service provided to a leading global SiC device manufacturer, the yield rate of our epitaxial wafer products reached 99%. Our success is also demonstrated by our profitability and cash flow in the Track Record Period. In 2024, our revenue, adjusted net profit (Non-IFRS measure) and operating cash flow reached RMB974.3 million, RMB323.5 million and RMB640.6 million, respectively. Since 2024, our financial performance deteriorated due to market competition driving down our selling prices, together with reduced customer demand as a result of a market downturn experienced by our downstream customers.

OUR MARKET OPPORTUNITIES

Amid the global wave of energy revolution, electricity is rapidly replacing traditional fossil fuels, emerging as the driver for electrification and growth in industrial automotive and renewable energy sectors. In this transformative shift, SiC power devices serve as the "intelligent heart" of various power systems utilizing electricity, according to CIC.

The SiC industry is inherently evolving toward a highly specialized division of labor, because of its total addressable market potential and the need for technological excellence and operational efficiency. As the sector expands, companies are increasingly focusing on their core competencies within the value chain, fostering a collaborative ecosystem characterized by specialization. In terms of revenue in the open market, the five largest SiC epitaxial foundries obtained 93.4% of the global market share in 2024, a concentration significantly outpacing the substrate segment and the power device segment, where the top five players in each segment hold a market share of approximately 80%, according to CIC. We, as a global leader in the SiC epitaxy industry, are uniquely positioned to capitalize on this inevitable development. By leveraging our advanced technology, scale advantages, and established reputation in third-party epitaxial wafer supply, we are strategically equipped to capture emerging market opportunities, strengthen client partnerships, and solidify our market share in the rapidly advancing SiC era.

According to CIC, SiC power device market size has reached US$2.6 billion in 2024 and is expected to grow at a CAGR of 39.9% between 2024 and 2029, reaching US$13.6 billion by 2029. This positions SiC as a core material for the upcoming energy revolution and the rise of intelligent industry. See "Business — Overview — Industry tailwinds and our opportunities" for further details. In the extensive global semiconductor market, traditional silicon materials still dominate while emerging materials such as SiC gradually earning their market presence. As an enterprise focus on the next-generation materials, we obtained approximately 0.1% of the total semiconductor market share in 2024, according to CIC.

OUR PRODUCTS AND BUSINESS MODELS

Overview

We have been primarily engaged in the research and development, mass production and sales of SiC epitaxial wafers. SiC epitaxial wafers offer a multitude of advantages over traditional Si wafers, including but not limited to enhanced temperature stability, higher breakdown voltage, and superior thermal conductivity. These unique properties make SiC wafers a key enabler of various applications. Our customers utilize our SiC epitaxy wafers to manufacture their products, typically power devices, for a wide range of downstream industrial applications, such as EVs, charging infrastructure, renewable energy, and ESS.

To address the different needs of our customers, we offer Turnkey and Consign business models, both of which enable our customers to rely on our cumulative expertise in the production of SiC epitaxial wafers. For details, see "Business — Our Products and Business Models — Our Business Models."

Our Technologies

SiC epitaxial wafer is a critical component of the SiC value chain, where its quality is of paramount importance for downstream applications. The manufacturing process of SiC power devices differs from that of traditional Si power devices. SiC power devices cannot be fabricated directly on the SiC substrate; instead, a high-quality single-crystal epitaxial layer must first be grown on the supportive substrate, and various devices are then manufactured on this epitaxial layer.

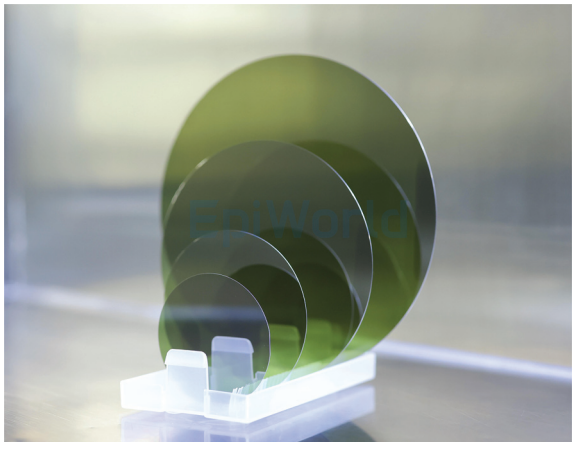
According to CIC, the production of SiC epitaxial wafers is still facing several hurdles: (i) defect control, (ii) uniformity and consistency, and (iii) high costs.

To address these industry challenges and provide high quality products that our customers are looking for, we have developed targeted proprietary technologies, such as 8-inch SiC epitaxial wafer production technology, basal plane dislocations (BPD)-free epitaxial growth technology, high-concentration uniformity epitaxial growth technology, low defect density epitaxial growth technology, and thick-film epitaxial growth technology. For more details, see "Business — Research and Development — Our Technologies and R&D Process."

These innovative technologies have enabled us to produce SiC epitaxial wafers with high uniformity and low defect density. Additionally, we have developed proprietary multi-layer epitaxial technology to satisfy customers' customized needs. Our product quality has earned recognition globally, including "Perfect Quality Award" from one of the top five global SiC power device manufacturers.

Our Products — SiC epitaxial wafers

We offer various sizes of SiC epitaxial wafers, including 4-inch, 6-inch and 8-inch. SiC wafers are typically categorized by size, primarily because the size directly impacts manufacturing efficiency, yield, and production scalability, with larger wafers typically delivering lower cost. During the Track Record Period, 6-inch SiC epitaxial wafers made up the majority of our sales. We also have a first-mover advantage as the first company in the world to mass-produce and commercially supply 8-inch SiC epitaxial wafers in the open market, according to CIC. Although 6-inch wafers currently dominate the market and is expected to grow continuously, the market size for 8-inch SiC wafers is expected to expand significantly. We continue to invest in the R&D and production of both 6-inch to 8-inch wafers, and expect 8-inch wafers to account for a growing share of our sales. The following photo shows samples of our SiC epitaxial wafers.



The following table sets forth a breakdown of our sales volume of SiC epitaxial wafers by sizes for the years and periods indicated.

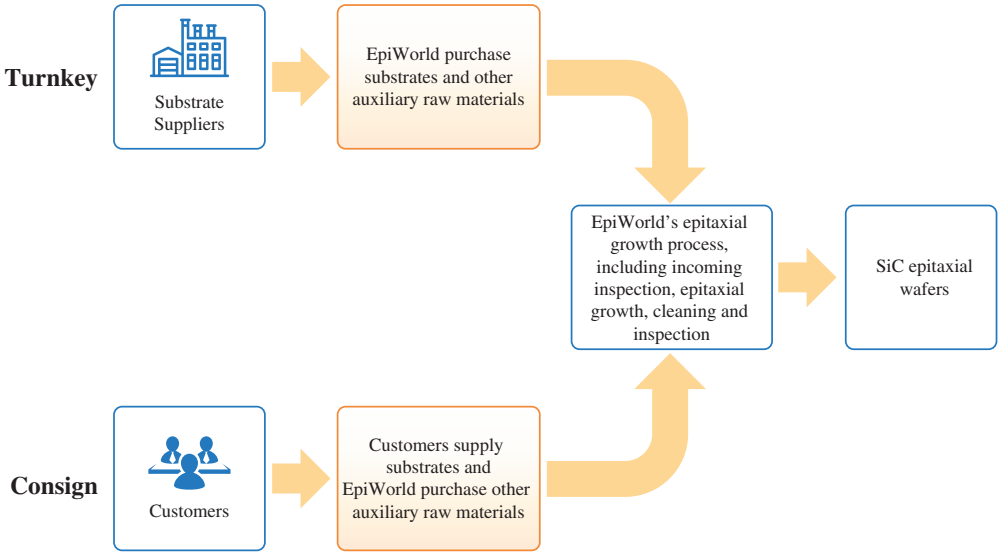
	Year Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	Sales volume	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*
	(pieces of wafers, except for percentages)									
Sales volume										
3-inch	–	–	–	–	–	–	–	–	2	0.0
4-inch	3,733	4.4	610	0.3	383	0.2	318	0.2	1,328	0.9
6-inch	81,633	95.6	199,708	99.6	156,584	95.2	126,648	95.2	137,184	91.9
8-inch	–	–	285	0.1	7,466	4.5	6,057	4.6	10,788	7.2
Total sales volume	**85,366**	**100.0**	**200,603**	**100.0**	**164,433**	**100.0**	**133,023**	**100.0**	**149,302**	**100.0**

For a detailed discussion, see "Business — Our Products and Business Models — Our Products — SiC Epitaxial Wafers."

We price our SiC epitaxial wafers based on a number of factors, including (i) the sizes and structures (thickness and doping types) of wafers; (ii) product specifications; (iii) purchase volume and (iv) prevailing market condition and competitive landscape. We regularly adjust our pricing strategies to maintain competitiveness. For customized products, such as specially doped or uniquely thick epitaxial wafers, prices are typically higher.

Our Business Models

We have two kinds of business models, namely Turnkey and Consign, based on whether we purchase substrates on our own or use the substrates provided by our customers, as illustrated by the following chart.



Turnkey

Under the Turnkey model, we purchase the raw material including substrates ourselves and upon the completion of production process, deliver the final products, SiC epitaxial wafers, to our customers. The price of our wafer products thereby takes into account the full costs of substrates as well as our production costs. When dealing with customers with large and recurring purchase orders, prices are typically negotiated based on production volume, prevailing market conditions and length of relationships. Through the Turnkey model, we could provide an integrated and convenient solution to our customers, allowing them to rely on our established quality control process.

Consign

Under the Consign model, our customers supply us with the substrates. We would purchase other auxiliary raw materials, grow the SiC epitaxy and deliver the final epitaxial wafers to our customers. We charge the customers for the auxiliary raw materials and the foundry services for growing SiC epitaxy on substrates. The base processing fee depends on the size, doping type, and thickness of the epitaxial wafer and the additional service fees include charges for special process requirements, and other services. For large-volume orders, we from time to time apply tiered pricing where the larger the order quantity, the lower the unit process fee. Our pricing strategy enhances customer loyalty and increases long-term collaboration opportunities.

Our manufacturing capacity and flexible business model allow us to adapt to such customized requests swiftly. The following table sets forth a breakdown of our sales volume of SiC epitaxial wafers by types of service for the years and periods indicated.

	Year Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	Sales volume	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*
	(pieces of wafers, except for percentages)									
Sales volume										
Turnkey	31,339	36.7	96,428	48.1	122,283	74.4	92,006	69.2	137,763	92.3
Consign	54,027	63.3	104,175	51.9	42,150	25.6	41,017	30.8	11,539	7.7
Total sales volume	**85,366**	**100.0**	**200,603**	**100.0**	**164,433**	**100.0**	**133,023**	**100.0**	**149,302**	**100.0**

During the Track Record Period, our sales volumes under the Turnkey model increased, primarily due to our supply chain management capabilities. In particular, we were able to source substrates with quality and cost-effectiveness. Our leading market position and our expanding presence in China enhance our supplier bargaining power, enabling us to source substrates more cost-effectively. This contributed to a 27% year-over-year increase in sales volume for our Turnkey services in 2024 compared to 2023 and enabled us to remain profitable throughout the Track Record Period. Our stable, integrated offering under the Turnkey model helps customers reduce supply chain management costs, shorten lead times, and avoid issues such as raw substrate shortages or inventory backlogs. For our customers, our competitiveness is rooted in our cost-effective substrate supplies, dedicated focus on the epitaxy technologies, as well as broad and comprehensive customer base both domestically and internationally, reflecting the wide market acceptance of our products.

The following table sets forth a breakdown of our average selling price by product and by type of services during the Track Record Period.

	Years Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
	(RMB)			
Turnkey	8,863	8,791	6,866	3,508
3-inch	–	–	–	1,770
4-inch	5,140	3,647	4,493	3,027
6-inch	9,360	8,787	6,433	3,209
8-inch	–	21,000	13,620	7,072
Consign	2,898	2,810	2,873	2,073
4-inch	11,854	27,418	2,856	1,789
6-inch	2,891	2,810	2,873	2,032
8-inch	–	–	–	2,862

The average selling price of 8-inch wafers decreased from RMB21,000 to RMB13,620 from 2023 to 2024 and further to RMB7,072 for the nine months ended September 30, 2025. Such decrease was primarily attributable to lower substrate costs. Additionally, during the initial introduction of 8-inch wafers, some products were provided as trial samples free of charge, which temporarily lowered the average selling price. However, the mainstream price for 8-inch wafers remains robust, at above US$1,000 per wafer. Sales of 8-inch wafers will continue to support our profitability. The increase in the average selling price of 4-inch wafers from 2022 to 2023 was mainly due to customers' customization requirements. These 4-inch wafers were characterized by ultra-thick films and high voltage ratings, making the manufacturing process highly complex.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors:

- We are a global leader in the SiC epitaxy industry;
- We possess strong R&D capabilities driving technological advancement in the SiC epitaxy industry;
- We have industry-leading production capacity that can be expanded in a disciplined manner to meet the rapidly growing demand from downstream customers;
- We have established a large customer base by hyper focusing on SiC epitaxy; and
- We are led by a dedicated and seasoned leadership team with strategic foresight.

For details, see "Business — Our Competitive Strengths."

OUR GROWTH STRATEGIES

We plan to execute the following strategies to drive our future growth:

- Sustained investment in R&D to strengthen and enhance our technological leadership;
- Expand production capacity with discipline to capture market opportunities;

- Dual growth engine — penetrate domestic and overseas markets and execute a globalized strategy;
- Enhance and upgrade existing product portfolio to deliver solutions with superior performance and enhanced cost efficiency; and
- Attract top talents to enhance our multi-dimensional talent pool.

For details, see "Business — Our Growth Strategies."

CUSTOMERS AND SUPPLIERS

We provide SiC epitaxial wafers to power device companies, which then fabricate the wafers into devices for their customers. During the Track Record period, we had served 134 customers. Our customers are primarily global leaders of semiconductor power devices. Our sales to the five largest customers in each period during the Track Record Period were RMB381.5 million, RMB938.0 million, RMB783.3 million and RMB331.0 million, respectively, and accounted for 86.5%, 82.1%, 81.2% and 61.9% of the total revenue for the respective periods. Our sales to the largest customer in each period during the Track Record Period were RMB246.6 million, RMB614.6 million, RMB393.6 million and RMB163.0 million, respectively, and accounted for 56.0%, 53.8%, 40.4% and 30.5% of our total revenue for the respective periods. As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each period during the Track Record Period.

Our purchase from the five largest suppliers in each period during the Track Record Period were RMB430.3 million, RMB1,342.8 million, RMB376.5 million and RMB220.5 million, respectively, and accounted for 65.4%, 72.1%, 83.3% and 79.1% of the total cost of revenues for the respective periods. Our purchase from the largest supplier in each period during the Track Record Period were RMB215.3 million, RMB718.7 million, RMB129.4 million and RMB79.2 million, respectively, and accounted for 32.7%, 38.6%, 28.6% and 28.4% of the total cost of revenues for the respective periods. As of the Latest Practicable Date, none of our Directors, Supervisors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year/period during the Track Record Period. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, each of our top five suppliers are independent from each other.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors." You should read that section in its entirety carefully before you decide to [**REDACTED**] in our H Shares. Some of the major risks we face include:

- Our business growth and prospects are affected by our ability to continuously innovate and upgrade our technologies and production processes and to penetrate new markets;
- We face substantial competition;
- The price of our products and our profit margin may be materially and adversely affected as the overall production capacity continues to increase in the future;
- Our performance is subject to the development and condition of our downstream industries that adopt our products. Any slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations;

- A fluctuation in prices of raw materials or shortage in supply may disrupt our supply chain, increase our production costs, delay deliveries of our products to customers and affect our market price, which would further affect our business, financial condition and results of operations;

- Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us;

- Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions; and

- If we are unable to offer high-quality products, it may reduce the market adoption of our products, damage our reputation or expose us to product liability and other claims.

OUR SINGLE LARGEST SHAREHOLDER

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), Dr. Zhao will control [**REDACTED**]% of our total issued share capital and he will be our Single Largest Shareholder upon [**REDACTED**]. For more details, see "Relationship with the Single Largest Shareholder."

OUR [REDACTED] INVESTORS

We have undergone multiple rounds of [**REDACTED**] Investments. For further details of the identity and background of the [**REDACTED**] Investors and the principal terms of the [**REDACTED**] Investments, see "History, Development and Corporate Structure — [**REDACTED**] Investments."

PREVIOUS A SHARE LISTING ATTEMPT

We submitted our A share listing application to the Shanghai Stock Exchange in December 2023. In January 2024, we received our first comment letter from the CSRC with common comments including but not limited to shareholding changes of the Company, key products and market competitiveness, top customers and suppliers, financial performance, employee share incentive scheme, related party transactions and corporate governance. Considering the time required for completing the A-share listing applications, the Company's fundraising demand for business expansion, and financing opportunities in the second half of 2024, based on our latest corporate development strategies, we withdrew our A share listing application in June 2024. We have not submitted our responses to the CSRC comment letter before the withdrawal of our A share listing application. Considering a [**REDACTED**] on the Stock Exchange would (a) provide our Company with an international platform to promote our market awareness worldwide, (b) gain access to international capital and optimize our capital structure, and (c) further raise our market profile and help us to attract international talents, we commenced our H share [**REDACTED**] preparation. Our Directors confirm that, to their best knowledge, there are no other material matters relating to the A share listing attempt that would affect the Company's suitability for [**REDACTED**] on the Stock Exchange and are necessary to be disclosed in this Document for [**REDACTED**] to form an informed assessment of our Company. Considering the independent due diligence conducted by the Sole Sponsor, nothing relating to the A share listing attempt has come to the attention of the Sole Sponsor which would materially and adversely affect the Company's suitability for the [**REDACTED**].

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

The table below sets forth our consolidated statements of profit or loss for the years and periods indicated derived from the Accountant's Report included in Appendix I to this Document:

	Years Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Revenue	**440,691**	**1,142,502**	**974,316**	**808,250**	**535,063**
Cost of sales	(243,754)	(697,103)	(642,007)	(522,542)	(397,982)
Gross profit	**196,937**	**445,399**	**332,309**	**285,708**	**137,081**
Other income and other gains, net	21,534	63,451	168,402	107,583	132,621
Selling and distribution expenses	(1,866)	(48,776)	(5,513)	(6,770)	(8,224)
Administrative and other expenses	(48,136)	(162,749)	(175,575)	(147,142)	(155,126)
Research and development costs	(43,829)	(101,786)	(79,992)	(62,096)	(50,374)
(Impairment loss)/reversal of impairment loss on financial assets, net	(901)	149	(1,253)	(200)	(2,116)
Finance costs	(20,281)	(32,535)	(30,197)	(21,595)	(9,636)
Profit before taxation	**103,458**	**163,153**	**208,181**	**155,488**	**44,226**
Income tax credit/(expense)	24,085	(55,648)	(43,114)	(37,075)	(23,081)
Profit for the year/period	**127,543**	**107,505**	**165,067**	**118,413**	**21,145**

For accounting treatment and details of [**REDACTED**] investments, see Note 30 to the Accountants' Report.

Non-IFRS Measure

To supplement our consolidated financial statements presented in accordance with IFRSs, we use adjusted net profit (Non-IFRS measure) for the year/period as additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company and provides useful information to [**REDACTED**] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of adjusted net profit (Non-IFRS measure) for the years/periods may not be comparable to similarly titled measure presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and [**REDACTED**] should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit (Non-IFRS measure) for the year/period as profit for the year/period adjusted by adding back (i) equity-settled share-based payment expenses, which are non-cash in nature, (ii) interest expenses for redemption right, which will be converted into equity of the Company upon the [**REDACTED**], and (iii) [**REDACTED**] expense, which are related to the [**REDACTED**].

The following table reconciles our adjusted net profit (Non-IFRS measures) for the year/period presented in accordance with IFRSs, namely profit for the year:

	Years Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)			*(unaudited)*	
Profit for the year/period	**127,543**	**107,505**	**165,067**	**118,413**	**21,145**
Adjustment by adding back:					
Equity-settled share-based payment	28,575	256,210	154,249	141,163	124,484
Interest expenses for redemption right	15,825	14,387	1,334	1,000	344
Listing expense for previous listing application	–	5,678	2,853	–	–
[**REDACTED**] expense for the [**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (Non-IFRS measure)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Adjusted Net Profit (Non-IFRS measure)

We had adjusted net profit (Non-IFRS measure) of RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Our adjusted net profit (Non-IFRS measure) is adjusted by adding back equity-settled share-based payment to profit for the year/period.

Revenue

We generate revenue from sales of SiC epitaxial wafers through Turnkey and Consign models. The key difference between the two models is the source of the substrates: we procure substrates under the Turnkey model and our customers supply substrates to us under the Consign model. Our revenue mainly consists of sales from SiC epitaxial wafers by type of services from Turnkey service and Consign service. See "Business — Our Products and Business Models — Our Business Models" for details of our Turnkey and Consign services.

The following table sets forth a breakdown of our revenue by product/type of service for the years and periods indicated, in absolute amounts and as percentages of revenue.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)* *(unaudited)*	*%*	*(RMB'000)*	*%*
Turnkey										
3-inch	–	–	–	–	–	–	–	–	4	0.0
4-inch	18,961	4.3	2,217	0.2	1,671	0.2	1,348	0.2	9	0.0
6-inch	258,802	58.7	839,477	73.5	736,223	75.6	593,814	73.5	407,702	76.2
8-inch	–	–	5,985	0.5	101,683	10.4	83,981	10.4	75,689	14.1
Subtotal	**277,763**	**63.0**	**847,679**	**74.2**	**839,577**	**86.2**	**679,143**	**84.0**	**483,403**	**90.3**
Consign										
4-inch	522	0.1	55	0.0	31	0.0	8	0.0	2,370	0.4
6-inch	156,047	35.4	292,695	25.6	121,072	12.4	118,092	14.6	20,579	3.8
8-inch	–	–	–	–	–	–	–	–	246	0.0
Subtotal	**156,569**	**35.5**	**292,750**	**25.6**	**121,103**	**12.4**	**118,100**	**14.6**	**23,194**	**4.3**
Others[(1)]	6,359	1.4	2,073	0.2	13,636	1.4	11,007	1.4	28,466	5.3
Total	**440,691**	**100.0**	**1,142,502**	**100.0**	**974,316**	**100.0**	**808,250**	**100.0**	**535,063**	**100.0**

Note:

(1) Others mainly include sales of SiC substrate.

Our revenue decreased from RMB808.3 million for the nine months ended September 30, 2024 to RMB535.1 million for the same period in 2025, primarily due to the decrease in our revenue from Turnkey service. Our revenue decreased by RMB168.2 million, or 14.7%, from RMB1,142.5 million in 2023 to RMB974.3 million in 2024, primarily due to the revenue from our Consign service decreased, caused by the decrease in our sales volume under Consign model. Our revenue increased by RMB701.8 million, or 159.3%, from RMB440.7 million in 2022 to RMB1,142.5 million in 2023, primarily driven by the growing demand for SiC power devices, fueled by the global rise in EV, ultrafast charging facilities, and other downstream applications. Additionally, the realization of our expanded production capacity contributed to the increase in our sales volume.

By type of service, revenue from Turnkey service decreased from RMB679.1 million for the nine months ended September 30, 2024 to RMB483.4 million for the same period in 2025, primarily due to our competitive pricing strategy in response to the general downward pricing trend across the industry. As the decrease in raw material prices provided more spaces for us to adjust our prices downward while maintaining profitability, we proactively passed savings to our customers, thereby strengthening client loyalty and securing market share in a competitive environment. Our sales volume from Turnkey service increased from 92,006 pieces for the nine months ended September 30, 2024 to 137,763 pieces for the same period in 2025. The revenue generated from Consign service decreased from RMB118.1 million for the nine months ended September 30, 2024 to RMB23.2 million for the same period in 2025, primarily due to the decrease in our sales volume under Consign service as certain of our major customers experienced fluctuations in their business operations and reduced their procurement volume, combined with our competitive pricing strategy. Our sales volume from Consign service decreased from 41,107 pieces for the nine months ended September 30, 2024 to 11,539 pieces for the same period in 2025. As of the Latest Practicable Date, we have no plans to phase out our Consign service despite the decline in its revenue and sales volume.

Our revenue from Turnkey service slightly decreased from RMB847.7 million in 2023 to RMB839.6 million in 2024, primarily due to we offered competitive price adjustment in resulted of the decrease in the price of key raw material, including substrate, partially offset by our increased sale volume from Turnkey service from 96,428 pieces in 2023 to 122,283 pieces in 2024. The revenue generated from Consign service decreased from RMB292.8 million in 2023 to RMB121.1 million in 2024, primarily due to the decrease in our sales volume under Consign model and our competitive pricing strategy. The sales volume under Consign service decreased from 104,175 wafers in 2023 to 42,150 wafers in 2024, due to certain customer from Consign service reduced their demand driven by large amount of purchase in previous year.

Our revenue from Turnkey service increased from RMB277.8 million in 2022 to RMB847.7 million in 2023, primarily due to an increase in sales volume for Turnkey service from 31,339 wafers in 2022 to 96,428 wafers in 2023. The revenue generated from sales from Consign service increased from RMB156.6 million in 2022 to RMB292.8 million in 2023, primarily due to an increase in sales volume for Consign service from 54,027 wafers in 2022 to 104,175 wafers in 2023.

Revenue by Region

During the Track Record Period, we derived revenues from sales to customers in various regions, mainly Asia and Europe. Our revenue from Asia and Europe markets accounted for 96.4%, 93.5%, 96.6%, 96.4% and 97.2% of our total revenue in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. In addition, the revenue from Greater China amounted to RMB167.7 million, RMB307.2 million, RMB207.7 million, RMB161.3 million and RMB340.0 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. We record revenue from our customers by region based on the customer's registered address or place of incorporation.

By region, revenue from Asia increased from RMB544.0 million for the nine months ended September 30, 2024 to RMB455.9 million for the same period in 2025, primarily due to the increase in our sales volume. The revenue from Europe decreased from RMB235.0 million for the nine months ended September 30, 2024 to RMB64.2 million for the same period in 2025, primarily due to the fluctuation in production demand of some customers. The revenue from Asia decreased from RMB745.2 million in 2023 to RMB672.4 million in 2024, primarily due to we offered competitive price adjustment in resulted of the decrease in the price of key raw material, including substrate, partially offset by our increased sale volume in Asia. The revenue from Europe decreased from RMB323.3 million in 2023 to RMB268.9 million in 2024, primarily due to decreased sales volume in such region in 2024. The revenue from Asia increased from RMB275.5 million in 2022 to RMB745.2 million in 2023, and revenue from Europe increased from RMB149.3 million in 2022 to RMB323.3 million in 2023, primarily driven by the growth of SiC power device demands across the regions.

The following table sets forth a breakdown of revenue by region, based on the locations of our direct contracting customers, for the years and periods indicated, in absolute amount and as percentage of total revenues.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Revenue by region										
Asia[(1)]	275,470	62.5	745,221	65.2	672,429	69.0	543,971	67.3	455,961	85.2
Greater China	167,703	38.1	307,249	26.9	207,656	21.3	161,343	20.0	340,026	63.5
Europe [(2)]	149,339	33.9	323,343	28.3	268,943	27.6	235,014	29.1	64,160	12.0
North America [(3)]	14,083	3.2	73,938	6.5	32,944	3.4	29,265	3.6	14,942	2.8
Others[(4)]	1,799	0.4	–	–	–	–	–	–	–	–
Total	**440,691**	**100.0**	**1,142,502**	**100.0**	**974,316**	**100.0**	**808,250**	**100.0**	**535,063**	**100.0**

Notes:

(1) Asia primarily comprises Greater China, South Korea and Japan.

(2) Europe primarily comprises Austria, Switzerland and the U.K.

(3) North America primarily comprises the U.S.

(4) Other primarily comprises Australia.

Government Grants

During the Track Record Period, besides profits from operations, we had government grants of RMB13.5 million, RMB47.4 million, RMB111.9 million, RMB95.7 million and RMB103.0 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively, which were a major and increasing contributor to our profit for the year/period during the Track Record Period. For the nine months ended September 30, 2025, our net profit was primarily attributable to the one-off government grants of RMB103.0 million, and we would have incurred loss for the period without the grants. Majority of our government grants were one-off in nature, although the actual grants can be by allotments and subject to certain conditions, such as our financial performance, capital investments and local tax contributions. For details, see "Financial Information — Description of Key Components of Consolidated Statements of Profit or Loss — Other Income and Other Gains, Net."

Profit for the Year/Period

Our profit for the year decreased from RMB143.4 million in 2022 to RMB121.9 million in 2023, and then increased to RMB166.4 million in 2024. The lower net profit in 2023 was primarily due to increased in share-based payment for employees in 2023. The higher net profit in 2024 was primarily due to the one-off government grants we received in 2024. Our profit for the period decreased from RMB118.4 million in the nine months ended September 30, 2024 to RMB21.1 million in the nine months ended September 30, 2025, primarily due to decreased in the profit and total comprehensive income for the period in 2025.

Summary of Consolidated Balance Sheets

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant's Report included in Appendix I to this Document:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Non-current assets	956,390	2,043,223	2,054,279	1,958,168
Current assets	497,208	1,030,375	2,448,665	2,408,456
Total assets	**1,453,598**	**3,073,598**	**4,502,944**	**4,366,624**
Non-current liabilities	271,013	1,048,943	1,084,318	1,020,199
Current liabilities	599,083	560,488	605,142	368,961
Total liabilities	**870,096**	**1,609,431**	**1,689,460**	**1,389,160**
Net assets	**583,502**	**1,464,167**	**2,813,484**	**2,977,464**

Our net asset increased from RMB2,813.5 million as of December 31, 2024 to RMB2,977.5 million as of September 30, 2025, primarily due to our recognition of equity-settled share-based payments of RMB124.5 million, profit and comprehensive income for the period of RMB21.1 million, and derecognition due to termination of redemption rights of RMB18.4 million for the nine months ended September 30, 2025.

Our net asset increased from RMB1,464.2 million as of December 31, 2023 to RMB2,813.5 million as of December 31, 2024, primarily due to our share issued of RMB1,030.0 million, profit and comprehensive income of the year of RMB166.4 million and recognition of equity-settled share-based payment of RMB154.2 million in 2024.

Our net asset increased from RMB583.5 million as of December 31, 2022 to RMB1,464.2 million as of December 31, 2023, primarily due to our share issued of RMB280.0 million, recognition of equity-settled share-based payment of RMB256.2 million and profit and comprehensive income of the year of RMB121.9 million in 2023.

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of September 30	As of January 31,
	2022	2023	2024	2025	2026
	(RMB in thousands)				
Inventories	91,404	351,086	247,640	270,945	306,378
Trade and bills receivables	106,796	78,666	129,645	268,964	383,550
Prepayments, deposits and other receivables	15,527	7,992	7,468	21,169	40,456
Value-added tax (VAT) recoverable	8,564	22,488	33,259	14,591	1,918
Term deposits	500	20,622	–	–	608,920
Cash and cash equivalents	274,417	549,521	2,030,653	1,832,787	1,211,486
Total current assets	**497,208**	**1,030,375**	**2,448,665**	**2,408,456**	**2,552,709**
Trade and bills payables	54,863	32,912	71,883	154,964	120,138
Other payables and accruals	182,077	191,731	145,089	109,489	141,954
Contract liabilities	5,757	3,730	6,795	736	378
Derivative financial instruments	–	–	–	2,140	3,303
Lease liabilities	344	261	67	66	67
Borrowings	142,405	315,181	303,536	65,025	163,486
Redemption liabilities	213,637	16,673	18,007	–	–
Income tax payable	–	–	59,765	36,541	36,571
Total current liabilities	**599,083**	**560,488**	**605,142**	**368,961**	**465,896**
Net current (liabilities)/assets	**(101,875)**	**469,887**	**1,843,523**	**2,039,495**	**2,086,813**

Our net current assets increased from RMB2,039.5 million as of September 30, 2025 to RMB2,086.8 million as of January 31, 2026, primarily due to (i) an increase of trade and bills receivables of RMB114.6 million, (ii) an increase in inventories of RMB35.4 million, and (iii) a decrease in trade and bills payables of RMB34.8 million; partially offset by (i) an increase in current borrowings of RMB98.5 million, and (ii) an increase of other payables and accruals of RMB32.5 million.

Our net current assets increased from RMB1,843.5 million as of December 31, 2024 to RMB2,039.5 million as of September 30, 2025, primarily due to (i) a decrease of borrowings of RMB238.5 million, (ii) a decrease of income tax payable of RMB23.2 million, (iii) a decrease of other payables and accruals of RMB35.6 million, (iv) a decrease of redemption liabilities of RMB18.0 million, and (v) an increase of prepayments, deposits and other receivables of RMB13.7 million; partially offset by (i) a decrease of cash and cash equivalents of RMB197.9 million, (ii) a decrease of inventories of RMB23.3 million, and (iii) an increase of trade and bills payables of RMB83.1 million.

Our net current assets increased from RMB469.9 million as of December 31, 2023 to RMB1,843.5 million as of December 31, 2024, primarily due to (i) an increase of cash and cash equivalents of RMB1,481.2 million in relation to share issuance of RMB1,030.0 million from certain shareholders, (ii) an increase of trade and bills receivables of RMB51.0 million, (iii) a decrease of borrowings of RMB11.6 million, and (iv) an increase of VAT recoverable of RMB10.8 million, partially offset by (i) a decrease of inventories of RMB103.4 million, (ii) an increase of tax payable of RMB59.8 million, and (iii) a decrease of time deposits of RMB20.6 million.

Our net current liabilities of RMB101.9 million as of December 31, 2022 changed to net current assets of RMB469.9 million as of December 31, 2023, primarily due to (i) an increase of cash and cash equivalents of RMB275.1 million, (ii) an increase of inventories of RMB259.7 million, and (iii) a decrease in redemption liabilities of RMB197.0 million; partially offset by (i) an increase of borrowings of RMB172.8 million, (ii) a decrease of trade and bills payables of RMB22.0 million, and (iii) a decrease of trade and bills receivables of RMB28.1 million.

Summary of Consolidated Statement of Cash Flow

The following table presents our consolidated cash flow data for the years and periods indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Net cash generated from operating activities	169,985	415,175	640,638	470,931	176,241
Net cash used in investing activities	(505,270)	(1,140,458)	(144,332)	(144,539)	(21,462)
Net cash generated from/(used in) financing activities	459,072	1,000,387	984,826	289,564	(352,645)
Net increase/(decrease) in cash and cash equivalents	**123,787**	**275,104**	**1,481,132**	**615,956**	**(197,866)**
Cash and cash equivalents at beginning of the year/period	150,630	274,417	549,521	549,521	2,030,653
Cash and cash equivalents at end of the year/period	**274,417**	**549,521**	**2,030,653**	**1,165,477**	**1,832,787**

During the Track Record Period and as of the Latest Practicable Date, our principal sources of liquidity have been cash generated from operating activities and borrowings from banks.

KEY FINANCIAL RATIOS

The following table sets forth some of our key financial ratios for the dates indicated.

	As of/Years Ended December 31,			As of/ Nine Months Ended September 30,
	2022	2023	2024	2025
Gross profit margin[(1)]	44.7%	39.0%	34.1%	25.6%
Current ratio[(2)]	0.8	1.8	4.0	6.5
Quick ratio[(3)]	0.7	1.2	3.6	5.8
Debt-to-asset ratio[(4)]	59.9%	52.4%	37.5%	31.8%

Notes:

(1) Gross profit margin is calculated using gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Current ratio equals current assets divided by current liabilities as of the relevant year/period end.

(3) Quick ratio equals current assets excluding inventories divided by current liabilities as of the relevant year/period end.

(4) Debt-to-Asset Ratio equals total liabilities divided by total assets multiplied by 100%.

Gross Profit Margin

Our gross profit margin decreased from 44.7% in 2022 to 39.0% in 2023, 34.1% in 2024 and further to 25.6% for the nine months ended September 30, 2025, primarily due to the changes in the offering mix and proportion of different service categories among each period. See "Financial Information — Discussion of Results of Operations" for more details on our gross profit margin.

For a more comprehensive discussion of the factors affecting our key financial ratios during the Track Record Period, see "Financial Information — Discussion of Results of Operations."

FINANCIAL STRATEGIES

We had the following financial strategies to continue to grow our business and tackle potential market fluctuations:

Expand Our Customer Base and Drive Revenue Growth

To maintain our sustained profitable growth in the long term, we intend to take the following measures to drive revenue growth:

- *Continue to strengthen and enhance our technologies.* We intend to continue to address the evolving needs of end customers. Through targeted R&D efforts, we aim to enhance product performance and overcome technical bottlenecks. Specifically, we have been pursuing advancements and improvements in technologies such as composite substrate epitaxy, trench filling epitaxy, multi-layer epitaxy and ultra-thick epitaxy to further improve the quality of our products and enhance their market competitiveness. The table below sets forth the details about our certain ongoing R&D projects.

	Projects	Targets
1 . .	SiC trench epitaxial refiling process	Develop trench epitaxial refiling technology to enable void-free SiC epitaxy in trenches with a certain depth-to-width ratio
2 . .	High-quality SiC thick-film homoepitaxial technology	Develop high-quality thick-film epitaxial technologies to improve the performance of our epitaxial wafers in various aspects such as thickness variation, doping concentration, doping uniformity and surface defect density
3 . .	High-quality 6-inch multi-layer SiC epitaxy technology	Develop high-quality 6-inch multi-layer epitaxy technology and achieve multiple epitaxial layers per wafer with controlled interface transition sharpness

	Projects	Targets
4 . .	High-uniformity 8-inch SiC epitaxial wafer	Refine 8-inch epitaxial growth technologies to improve the performance of our epitaxial wafers in various aspects, such as all-point thickness tolerance, thickness uniformity, all-point doping tolerance, doping uniformity and surface defect density

- *Strategic focus on 8-inch SiC epitaxial wafers.* We seek to strengthen our leadership in the 8-inch SiC epitaxial wafer market, recognizing its growing importance in the industry. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers. Our sales volume for 8-inch SiC epitaxial wafers increased from 285 pieces in 2023 to 7,466 pieces in 2024 and further increased from 6,057 pieces for the nine months ended September 30, 2024 to 10,788 pieces for the same period in 2025. This growth reflects the industry's accelerating adoption of 8-inch wafers, driven by their clear advantages: 1.8 times increase in wafer area, a reduction in edge die ratio from 14% to 7%, and a 90% boost in the number of bare dies per wafer. To meet the market's growing demand for 8-inch SiC epitaxial wafers, we are strategically allocating additional manufacturing capacity to expand production of 8-inch SiC epitaxial wafers. This approach not only positions us to capture greater market share but also enables us to reduce fixed unit costs, further enhancing our competitiveness in the market. Our Directors are of the view that, having achieved the commercialization capabilities for 8-inch SiC epitaxial wafers, we are able to leverage our first-mover advantage to mass produce 8-inch SiC epitaxial wafers, meet the growing market demand and turn around our financial performance to enhance profitability in the future.

- *Continuously expanding market share for 6-inch SiC epitaxial wafers.* Our sales volume for 6-inch SiC epitaxial wafers increased from 81,633 pieces in 2022 to 199,708 pieces in 2023, primarily due to the growth of downstream applications and demands from our customers. Our sales volume for 6-inch SiC epitaxial wafers decreased from 199,708 pieces in 2023 to 156,584 pieces in 2024, primarily due to the larger stocking of our downstream customers in 2023. Our sales volume for 6-inch SiC epitaxial wafers increased from 126,648 pieces for the nine months ended September 30, 2024 to 137,184 pieces for the same period in 2025. According to CIC, this inventory adjustment cycle, expected to conclude by the second half of 2026, reflects a cyclical rebalancing of supply and demand as well as impact from the transition from 4-inch to 6-inch and 8-inch wafers rather than a structural decline in the market. From a long-term perspective, the demand for SiC and SiC epitaxial wafer is expected to maintain strong growth, driven by the significant potential of downstream industries. According to CIC, the sales value generated by 6-inch epitaxial wafers is expected to increase from US$0.8 billion in 2024 to US$1.3 billion by 2029, with a CAGR of 9.4% from 2024 to 2029. To strengthen our position in the 6-inch SiC epitaxial wafer market, we are actively pursuing multiple strategic initiatives. These include implementing targeted marketing efforts. In particular, we intend to strengthen our sales outreach by deploying a dedicated field engagement team to build deeper relationships with key accounts and prospects. In parallel, we plan to actively participate in leading industry exhibitions and academic forums, both domestically and globally, to expand our market presence, capture emerging opportunities, and strengthen customer relationships. These efforts will enable us to better understand evolving market demands, identify new opportunities, and solidify our position with existing customers, which will eventually lead to better sales and operation results.

- *Implement targeted market expansion plan to reach new customers.* We seek to expand our market presence through targeted strategies in order to connect with a broader customer base. In the domestic market, our focus is on steadily growing our customer base, deepening strategic partnerships with key accounts, developing innovative downstream industry applications, and delivering increasingly competitive products as we scale efficiently. In the international market, we aim to strengthen relationships with global industry leaders by elevating product and service quality, ultimately bolstering customer loyalty, and to offer agile, tailored solutions that maintain our competitive edge. This dual approach could allow us to reach a broader customer pool both domestically and internationally.

- *Collaborate closely with downstream customers in joint R&D projects.* By partnering with customers on customized early-stage R&D projects, we seek to strengthen our customer relationships and foster loyalty. This approach not only aligns our R&D focus with customer-specific needs but also positions us as a trusted partner, enhancing customer loyalty and long-term revenue potential. The table below sets forth the details about our certain future R&D plans.

	Projects	Targets
1 . .	SiC superjunction device epitaxial technology	Develop and refine trench etching and epitaxial refiling process.
2 . .	8-inch SiC epitaxial wafers with low defect density	Develop SiC epitaxial growth technologies with lower defect density for 8-inch wafers.

- *Explore new downstream market applications.* Tapping into industries that have yet to adopt SiC materials on a large scale, such as home appliances, AI computing power and data centers, smart grids, energy storage and eVTOL, presents significant growth opportunities. By tapping into these emerging markets, we could expand downstream market applications, unlocking new revenue streams.

- *Actively participate in promoting SiC and drive the adoption of SiC materials.* We intend to actively participate in market education initiatives to accelerate the adoption of SiC materials in various use scenarios. Through publishing industry white papers and standards, hosting technical seminars, attending industry exhibition and advocating the advantages of SiC, we seek to raise awareness, shape industry standards, and drive the market's transition toward SiC solutions, fueling future growth. During the Track Record Period, our efforts on participating industry exhibitions and initiatives in the development of industry standards bolstered our industry recognition. This heightened visibility strengthened our brand authority and played a role in translating market interest into tangible business opportunities, supporting our order conversion efforts. Looking ahead, we remain committed to sustaining and expanding these efforts. By continuing to showcase our expertise through high-impact exhibitions and contributing to the development of forward-looking industry standards, we aim to accelerate the widespread adoption of SiC materials. This approach can help us to solidify our position and drive scalable growth, enabling us to capture new market segments and expand our business footprint strategically.

Improve Operational Efficiency and Enhance Operating Leverage

We aim to improve operating efficiency in every key aspect of our business. We expect to improve our operational efficiency by implementing the following:

- *Optimizing raw material costs.* Our raw material costs amounted to RMB180.0 million, RMB495.0 million, RMB411.3 million, RMB327.3 million and RMB214.2 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, representing for 73.9%, 71.0%, 64.1%, 62.6% and 53.8%, respectively, of our total cost of sales in the same periods. By periodically tracking market changes, we could monitor and record raw material price fluctuations, timely recognize price trends and flexibly adjust procurement plan in advance. We plan to continue to strengthen collaborations with upstream suppliers to secure more favorable terms and develop a more cost-effective raw material procurement strategy. Furthermore, improved process efficiency and production yield rate also mitigate raw material expenditure on each wafer, and we intend to implement targeted initiatives to integrate cost saving strategies with our enhancing product quality and supply chain stability.

- *Order-based production and inventory optimization.* We plan to continue our order-based production strategy, focusing on optimizing raw material stocking mechanisms to enhance turnover efficiency and minimize inventory backlogs. By aligning production closely with demand, we aim to streamline operations, reduce excess inventory, and establish an efficient supply chain. For example, we intend to coordinate our upstream suppliers for shorter procurement cycles, so as to increase storage flexibility and reduce inventory backlogs. We also plan to categorize our inventories to realize refined management. For critical materials with high value and low quantity, we intend to implement frequent stocktaking and stringent management policy. For low-value bulk materials, we intend to simplify the management procedure and maintain necessary secure inventory level.

- *Enhancing operational efficiency through advanced production line automation.* We plan to prioritize production line automation upgrades to enhance per capita output and reduce unit labour costs, driving operational efficiency and improving utilization rates. For example, in the manual labor-dependent processes of precise substrate loading and epitaxial wafer unloading, we plan to utilize an integrated multi-axis robotic system with vision positioning to achieve highly precise automated operations. Higher level of automation can reduce our unit cost and improve production efficiency. We believe these efforts establish a scalable automation model for future production expansion, while supporting our long-term operational efficiency.

Based on the foregoing, our Directors believe that the aforementioned measures will be effective and sustainable in improving our operating and financial performance. Considering the independent due diligence conducted by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor which would cause them to cast reasonable doubt on the Company's view above.

WORKING CAPITAL

Taking into account the financial resources available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available bank facilities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document.

We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities, bank facilities and funds raised from financing activities, including the net [**REDACTED**] we will receive from the [**REDACTED**].

[**REDACTED**]

DIVIDENDS

During the Track Record Period, no dividends have been declared and paid by us.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

According to our PRC Legal Adviser, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no [**REDACTED**] is exercised and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**].

In line with our strategies, we intend to use the net [**REDACTED**] for the following purposes, subject to changes with respect to our evolving business needs and changing market conditions:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to expand our production capacity of the SiC epitaxial wafers in a disciplined and prudent manner over the next five years, in response to the growing market demands;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in the R&D of SiC epitaxial wafers to enhance our technical capabilities and solidify our technical advantages; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used as working capital and for general corporate purposes.

For details, please see "Future Plans and Use of [**REDACTED**]."

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include (i) [**REDACTED**]-related expenses, such as [**REDACTED**] fees and [**REDACTED**], and (ii) non-[**REDACTED**]-related expenses, comprising professional fees paid to our legal advisors, consultants and Reporting Accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Based on the [**REDACTED**] of HK$[**REDACTED**], the total [**REDACTED**] expenses (including [**REDACTED**]) payable by our Company are estimated to be approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), assuming the [**REDACTED**] is not exercised, of which HK$[**REDACTED**] had been and is expected to be charged to our consolidated statements of profit or loss and HK$[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**]. These [**REDACTED**] expenses mainly comprise professional fees paid and payable to the professional parties, and [**REDACTED**] payable to the [**REDACTED**], for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. During the Track Record Period, we had recognized [**REDACTED**] expenses in relation to the [**REDACTED**] of approximately RMB[**REDACTED**] to our consolidated statements of profit or loss and had prepaid [**REDACTED**] expenses and deferred issue costs of RMB[**REDACTED**] to our consolidated statement of financial position. During the Track Record Period, we also recognized an additional amount of RMB8.5 million expenses in relation to our prior A share listing application, accounting for an aggregate of RMB[**REDACTED**]-related expenses.

We estimate that an additional [**REDACTED**] expenses of RMB[**REDACTED**] (including [**REDACTED**] of RMB[**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]), accounting for [**REDACTED**]% of our gross [**REDACTED**], will be further incurred by our Group, of which RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and RMB[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**].

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In December 2025, we announced the world's first launch of 12-inch SiC epitaxial wafers. With their larger diameter, the 12-inch wafers can significantly increase the number of chips (devices) produced per wafer under the same manufacturing processes, reducing the unit manufacturing cost of SiC chips.

We expect a significant decrease in net profit for the year ending December 31, 2025 and net loss in the fourth quarter of 2025, despite our continued efforts in expanding customer base, enhancing the competitiveness of our products, and improving gross margin. The decrease in our net profit is attributable to a number of factors including: (i) average selling prices of SiC epitaxial wafers are lower in 2025 as compared to 2024 and if the inventory de-stocking of downstream industry of SiC industry persists, which may continue to exert pricing pressure on us, we may continue to experience significant decrease in our net profit; (ii) share-based payment expenses remained and will remain an ongoing expense from 2025 to 2029, as we provide long-term incentive programs to employees to motivate and retain talent; and (iii) we incurred larger amount of [**REDACTED**] expenses in 2025, whereas the [**REDACTED**] expenses in 2024 will be relatively minimal. We expect to continue to be adversely affected if the depressing industry trend persists in the near future, while in the long-term, we have implemented a range of measures to enhance our profitability. For details on our concrete plan to expand our revenue, see "Financial Information — Financial Strategies."

Our Directors confirm that, as of the date of the Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since September 30, 2025, the end of the period reported on the Accountant's Report included in Appendix I to this Document; and there has been no event since September 30, 2025 which would materially affect the information presented in the Accountant's Report set out in Appendix I to this Document.

The [**REDACTED**] have been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. Our [**REDACTED**] is set out in Appendix III to this Document.

IMPACT OF THE TARIFFS

On November 1, 2025, the U.S. government released a fact sheet that documents the latest actions to be taken by the U.S. and Chinese governments to relax tariff and other trade controls as a result of a trade and economic deal reached between the two sides. The U.S. will, among other measures, lower the tariffs on Chinese imports by removing 10 percentage points of the cumulative rate, effective November 10, 2025, and will maintain its suspension of heightened reciprocal tariffs on Chinese imports until November 10, 2026. The U.S. will further extend the expiration of certain Section 301 tariff exclusions, currently due to expire on November 29, 2025, until November 10, 2026. The U.S. also will suspend for one year, starting on November 10, 2025, the implementation of the interim final rule titled Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities. These are all measures to relax tariff and other trade controls, and therefore the Directors and legal adviser engaged in connection with the foregoing matters are of the view that these recent regulatory developments do not have any material adverse impact on the Group's business operations and financial performance. Our Directors will continue to monitor developments regarding relevant tariffs.

For a detailed discussion of tariffs applicable to us and the related risks, see "Risk Factors — Risks Relating to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions" and "Regulatory Overview — Latest Outlook on U.S. Tariff."

UPDATES ON FINANCIAL INFORMATION

Save as disclosed in the section headed "Financial Information" and the Accountants' Report included in Appendix I to this Document, our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since September 30, 2025, the end of the period reported on in the Accountants' Report set out in Appendix I to this Document.

The unaudited financial information as of and for the year ended December 31, 2025 have been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. Our unaudited financial information for the year ended December 31, 2025 is set out in Appendix III to this Document.

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

"Accountants' Report"	the accountants' report of our Company prepared by BDO Limited, 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
"Articles" or "Articles of Association"	the articles of association of our Company, as amended from time to time, which shall become effective upon the [**REDACTED**], a summary of which is set out in Appendix IV to this Document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "our Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open to the public for normal business and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

"Chantou Juxiang Xinhan"	Xiamen Chantou Juxiang Xinhan Technology Investment Partnership Enterprise (Limited Partnership) (廈門產投炬翔芯瀚科技投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 20, 2024
"China", "mainland China", or "PRC"	the People's Republic of China, which, for the purposes of this Document and for geographical reference only, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China, and Taiwan Region

"China Resources Microelectronics"	China Resources Microelectronics Holdings Company Limited (華潤微電子控股有限公司), a limited liability company established in the PRC on June 30, 2017
"CIC"	China Insights Industry Consultancy Limited, an independent professional market research and consulting company, which is an Independent Third Party
"CIC Report"	an independent market research report commissioned by us and prepared by CIC for the purposes of this Document
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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"	Epiworld International Co., Ltd. (瀚天天成电子科技(厦门)股份有限公司), formerly known as Hantian Tiancheng Electronics Technology (Xiamen) Co., Ltd. (瀚天天成電子科技(廈門)有限公司) and Hantian Taicheng Electronics Technology (Xiamen) Co., Ltd. (瀚天泰成電子科技(廈門)有限公司), a limited liability company established in the PRC on March 31, 2011 and converted into a joint stock company with limited liability on May 25, 2023
"Compliance Adviser"	Rainbow Capital (HK) Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Dangfeng Technology"	Xiamen Dangfeng Technology Co., Ltd. (厦門市當豐科技有限公司), a limited liability company established in the PRC on November 21, 2014
"Director(s)" or "our Director(s)"	the director(s) of our Company

"Dongzheng Ruikun"	Zhuji Dongzheng Ruikun Equity Investment Partnership (Limited Partnership) (諸暨東證睿坤股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 30, 2020
"Dr. Zhao"	Dr. Zhao Jianhui (趙建輝), our founder, chairman of the Board, an executive Director and our Single Largest Shareholder
"EIT"	the PRC enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》)
"Epiworld Core"	Xiamen Hantian Nuclear Core Enterprise Management Partnership (Limited Partnership) (廈門瀚天核芯企業管理合夥企業(有限合夥)), formerly known as Xiamen Hantian Nuclear Core Equity Investment Partnership (Limited Partnership) (廈門瀚天核芯股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 2, 2020, details of which are set out in "History, Development and Corporate Structure — Employee Shareholding Platform" in this Document
"Epiworld Hong Kong"	EPINOVA LIMITED, a private limited company incorporated in Hong Kong on December 10, 2025, and a wholly owned subsidiary of the Company
"Epiworld Malaysia"	EPICENTER SDN. BHD., a limited liability company established in Malaysia, and an indirectly wholly owned subsidiary of the Company
"Epiworld Materials"	Epiworld Semiconductor Materials (Xiamen) Co., Ltd. (瀚天天成半導體材料(廈門)有限公司), a limited liability company established in the PRC on May 31, 2024, and a wholly owned subsidiary of the Company
"Epiworld Singapore"	APEXIV INTERNATIONAL PTE. LTD., a limited liability company established in Singapore, and a wholly owned subsidiary of the Company
	[**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 safety concern for a prolonged period

[**REDACTED**]

"Greater China"	the People's Republic of China, which, for the purposes of this Document and for geographical reference only, includes Hong Kong, the Macao Special Administrative Region of the People's Republic of China, and Taiwan Region
"Group", "our Group", "our", "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 for New Listing Applicants"	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Hainan Zhentai"	Hainan Zhentai Venture Capital Partnership (Limited Partnership) (海南臻泰創業投資合夥企業(有限合夥)) formerly known as Hainan Zhentai Venture Capital Investment Fund Partnership (Limited Partnership) (海南臻泰創業投資基金合夥企業(有限合夥)) and Hangzhou Zhentai Equity Investment Partnership (Limited Partnership) (杭州臻泰股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2020
"H Share(s)"	[**REDACTED**] 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 [**REDACTED**] in Hong Kong dollars and to be [**REDACTED**] on the Hong Kong Stock Exchange

[**REDACTED**]

"Hefei Tiancheng"	Hefei Chantou Tiancheng Equity Investment Partnership (Limited Partnership) (合肥產投天成股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 22, 2022

"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollar(s), the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Huajin Mingjiade"	Ningbo Huajin Mingjiade Venture Capital Partnership (Limited Partnership) (寧波華錦銘嘉德創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 13, 2023
"Huajin Yuxing"	Ningbo Huajin Yuxing Venture Capital Partnership (Limited Partnership) (寧波華錦煜興創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 10, 2023
"Huangshan Saifu"	Huangshan Saifu Tourism Culture Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)), a limited partnership established in the PRC on January 5, 2018
"Hubble Technology"	Hubble Technology Venture Capital Co., Ltd. (哈勃科技創業投資有限公司)), formerly known as Hubble Technology Investment Co., Ltd. (哈勃科技投資有限公司), a limited liability company established in the PRC on 23 April 2019
"Huiyou Chuangjia"	Shenzhen Huiyou Chuangjia Venture Investment Partnership (L.P.) (Limited Partnership) (深圳市惠友創嘉創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 31, 2017
"Huzhou Runxu"	Huzhou Runxu Equity Investment Partnership (Limited Partnership) (湖州潤煦股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 24, 2021
"ICBC Investment"	ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司), a company with limited liability established in the PRC on September 26, 2017
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)

"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》)
"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[**REDACTED**]

"Jiadong Wuyuan"	Xiamen Jiadong Wuyuan Investment Partnership (Limited Partnership) (廈門嘉棟物院投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 28, 2022
"Jiangyin Yinrun"	Jiangyin Yinrun Equity Investment Partnership (Limited Partnership) (江陰銀潤股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 25, 2022

[**REDACTED**]

"Latest Practicable Date"	October 7, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication
"Liaoning Haitong"	Liaoning Haitong New Kinetic Energy Equity Investment Fund Partnership (Limited Partnership) (遼寧海通新動能股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on January 20, 2020
	[**REDACTED**]
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
	[**REDACTED**]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange
"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)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Ningbo Fuchi"	Ningbo Fuchi Enterprise Management Consulting Partnership (Limited Partnership) (寧波富池企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on December 19, 2018
"Ningbo Fuwurong"	Ningbo Fuwurong Wuxiali Equity Investment Fund Partnership (Limited Partnership) (寧波芙五蓉物廈理股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on October 8, 2022
"Ningbo Qiaowang"	Ningbo Meishan Bonded Port Zone Qiaowang Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區僑旺股權投資合夥企業(有限合夥)), a limited partnerships established in the PRC on June 15, 2017
"Nomination Committee"	the nomination committee of the Board

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 which became effective on March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Legal Adviser"	Jingtian & Gongcheng, the PRC legal adviser to our Company 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**] Investment(s)"	the investment(s) in our Group undertaken by the [**REDACTED**] Investors prior to this [**REDACTED**], details of which are set out in "History, Development and Corporate Structure" in this Document
"[**REDACTED**] Investor(s)"	the investor(s) making investments in our Group prior to this [**REDACTED**] as set out in "History, Development and Corporate Structure" in this Document
"Document"	this document being issued in connection with the [**REDACTED**]
"Puyuan Pengyuan"	Puyuan Pengyuan (Xiamen) Investment Partnership (Limited Partnership) (樸原鵬遠(廈門)投資合夥企業(有限合夥)) formerly known as Puyuan (Xiamen) Investment Partnership (Limited Partnership) (樸原(廈門)投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 25, 2018
	[**REDACTED**]
"Qingda Runyu"	Xiamen Qingda Runyu Venture Capital Partnership (Limited Partnership) (廈門市清大潤玉創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 12, 2022
"Qingda Xinsheng"	Xiamen Qingda Xinsheng Venture Capital Partnership (Limited Partnership) (廈門市清大芯盛創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 1, 2022
"Qingyue Jingfu"	Xiamen Qingyue Jingfu Investment Partnership (Limited Partnership) (廈門清悅京福投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on October 31, 2022
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"Saifu Jinzuan"	Xiamen Saifu Jinzuan Equity Investment Partnership (Limited Partnership) (廈門賽富金鑽股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 22, 2017
"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)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"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
"Shanghai Minshenshi"	Shanghai Minshenshi Management Consulting Partnership (Limited Partnership) (上海敏申實管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on May 9, 2023
"Shanghai Tianli"	Shanghai Tianli Enterprise Management Center (Limited Partnership) (上海天禮企業管理中心(有限合夥)), a limited partnership established in the PRC on August 30, 2019
"Shanghai Zhezhong"	Shanghai Zhezhong Group Co., Ltd. (上海柘中集團股份有限公司), formerly known as Shanghai Zhezhong Construction Co., Ltd. (上海柘中建設股份有限公司) and Shanghai Zhezhong Large-scale Pipe Pile Co., Ltd. (上海柘中大型管樁有限公司) (stock code: 002346.sz), a company listed on the Shenzhen Stock Exchange
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including H Shares and Unlisted Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Single Largest Shareholder"	refers to Dr. Zhao Jianhui (趙建輝)
"Sole Sponsor" and "[**REDACTED**]"	the sole sponsor and [**REDACTED**] as named in the section headed "Directors, Supervisors and Parties Involved in the [**REDACTED**]" in this Document
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Committee"	the committee of the Supervisors
"Torch Capital"	Xiamen Torch Group Venture Capital Co., Ltd. (廈門火炬集團創業投資有限公司), a limited liability company established in the PRC on April 5, 2004
"Track Record Period"	the period comprising the three financial years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025
"treasury shares"	has the meaning ascribed thereto under the Listing Rules
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"VAT"	value-added tax
"Wangrui Hancheng"	Xiamen Wangrui Hancheng Enterprise Management Partnership (Limited Partnership) (廈門望睿瀚成企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on July 10, 2025

[**REDACTED**]

"Xiamen Chantou Gongrong"	Xiamen Chantou Gongrong Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (廈門產投工融新興產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 16, 2024.
"Xiamen Gongrong Industry"	Xiamen Gongrong Industry Investment Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (廈門工融產投新興產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 16, 2024
"Xiamen Hi-Tech Investment"	Xiamen Hi-tech Innovation Angel Investment Co., Ltd. (廈門高新科創天使創業投資有限公司), a limited liability company established in the PRC on March 11, 2013
"Xiamen Hongyuan"	Xiamen Zhongnan Hongyuan Equity Investment Fund Partnership (L.P.) (廈門中南弘遠股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on April 13, 2017
"Xiamen Hongxing"	Xiamen Hongxing Equity Investment Partnership (Limited Partnership) (廈門弘行股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on June 4, 2019
"Xiamen Jushenghua"	Xiamen Jushenghua Venture Capital Partnership (Limited Partnership) (廈門炬盛華創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 5, 2019
"Xiamen Spark"	South China (Xiamen) Spark Venture Capital (廈門中南星火股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 9, 2018
"Xike Zhongheng"	Xiamen Xike Zhongheng Investment Partnership (Limited Partnership) (廈門希科眾恒投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 7, 2013
"Xincheng Zhongchuang"	Xiamen Xincheng Zhongchuang Investment Partnership Enterprise (Limited Partnership) (廈門芯成眾創投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 24, 2017
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this Document in connection with us and our business. These may not correspond to standard industry definitions and may not be comparable to similarly terms adopted by other companies.

"AC"	alternating current
"BPD"	basal plane dislocation, a type of crystal defect in SiC and other semiconductor materials, where a slip or disruption occurs along the basal plane of the crystal structure, creating a localized region of structural imperfection
"BPD conversion"	a technology that converts BPDs existing in the substrate into electrically benign threading edge dislocations (TEDs) during specific SiC epitaxial growth
"CAGR"	compound annual growth rate
"CIM system"	computer integrated manufacturing system, a system used to integrate and control the entire production process
"CVD"	chemical vapor deposition, a process in which gaseous chemicals react on a heated wafer surface to form solid film
"C/Si ratio"	the proportion of carbon to silicon atoms in the gas mixture used during epitaxial growth of SiC layers that affects crystal quality, defect levels and doping in SiC epitaxy
"DC-DC converters"	an electronic circuit that converts a source of direct current (DC) from one voltage level to another
"doping"	the intentional introduction of impurities into the semiconductor material to modify its electrical properties
"EAP"	equipment automation program system, acts as the interface between manufacturing systems (MES) and production equipment (such as CVD reactors), ensuring precise and automated wafer processing
"epitaxial foundry"	An epitaxial foundry is a company that specializes in manufacturing epitaxial wafers and providing epitaxial wafer growth services for external customers, which does not include those who produce epitaxial wafers for large-scale self-use
"epitaxial growth"	a process of crystal growth or material deposition where new crystalline layers are formed with well-defined orientations on a substrate enhancing the performance of semiconductor devices

GLOSSARY OF TECHNICAL TERMS

"ERP system"	enterprise resource planning system, a system that organizations use to manage and integrate various business processes
"ESS"	energy storage system, which stores energy for use at a later time, helping to balance supply and demand in energy systems
"EV"	electric vehicle, a type of vehicle that is powered entirely or partially by electricity
"eVTOL"	electric vertical take-off and landing, a technology that enables flying vehicle to take off and land vertically and powered by electricity
"FDC"	fault detection and classification, a critical real-time monitoring and analytics platform that tracks equipment sensor data (such as temperature, pressure, radio frequency power) to detect process deviations, classify fault types, preventing wafer scrap and improving yield
"foundry"	a manufacturer specializing in the production and manufacture of chips in the field of integrated circuits
"frequency"	the rate at which a power electronic device, such as a switch or rectifier, operates. It is a crucial factor influencing the performance and efficiency of power systems
"GaAs"	Gallium Arsenide, a compound made from gallium and arsenic used in electronics and optoelectronics
"GaN"	Gallium Nitride, a compound made from gallium and nitrogen used in electronics
"IDM"	integrated device manufacturer
"IATF16949"	international technical specification of automotive industry quality management system, which is prepared by International Automotive Task Force (IATF)
"inch"	the standard unit of measurement used to denote the diameter of substrates. In the semiconductor industry, the common sizes for substrates include 3-inch (76.2mm), 4-inch (100mm), 6-inch (150mm) and 8-inch (200mm)
"integrated circuit"	integrated circuit, a small unit or package which is made as a single indivisible structure (such as a chip) and is electrically equivalent to a conventional circuit of many separate components
"inverter"	a power electronic device that converts direct current electricity into alternating current electricity

"maximum available production capacity"	the maximum available operational capacity of manufacturing equipment calculated based on the maximum hourly capacity and working hours in a given year. The maximum available production capacity is subject to the timing of completion of installation and tuning of each piece of our reactors in that year
"MES"	manufacturing execution system, a system used in manufacturing to track and document the transformation of raw materials to finished goods
"OBC"	on board charger, a power electronics device on EVs, which converts alternating current (AC) power from external sources, such as residential outlets, into DC power to charge the vehicle's battery pack
"PMS"	predictive maintenance system, a system that uses time series historical and failure data to predict the future potential health of equipment and anticipate problems in advance
"power density"	the amount of power processed per unit volume or unit area
"power device(s)"	a type of semiconductor component that is used as a switch or rectifier in power electronics, and serves as the core component of power supplies
"production capacity"	the theoretical output of manufacturing equipment under optimal conditions
"RMS"	recipe management system, a system used to manage the relationships and processes related to production recipes
"R&D"	research and development
"SiC"	silicon carbide, a compound semiconductor made of silicon and carbon, known for its high thermal conductivity, wide bandgap, and exceptional hardness
"SiC epitaxial wafer"	a silicon carbide (SiC) wafer that has been produced using an epitaxial growth process. In this process, a thin layer of SiC is deposited on a substrate, typically made of the same material (SiC)
"SPC"	statistical process control
"sq.m."	square meter(s)
"substrate"	a semiconductor material used to support the epilayer
"UPS"	uninterruptible power supply, a backup battery system that provides emergency power

GLOSSARY OF TECHNICAL TERMS

"wafer"	a thin slice of semiconductor material, used in the manufacture of integrated circuits and other microelectronic devices
"WMS"	warehouse management system, a system used to manage and control daily warehouse operations
"4H-SiC"	specific polytype of silicon carbide (SiC) characterized by its hexagonal crystal structure. The "4H" designation indicates that the crystal structure has four Si-C bilayers in a specific repeating sequence, which gives it distinct electrical, thermal, and mechanical properties

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors."

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

An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to* [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such case, the* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your* [**REDACTED**]. *Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.*

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 "Forward-looking Statements" in this Document.

Risks Related to Our Business and Industry

Our business growth and prospects are affected by our ability to continuously innovate and upgrade our technologies and production processes and to penetrate new markets.

Our future success significantly depends on our ability to continue to innovate and upgrade our technologies and production processes. Product design, development, innovation and upgrade is often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. The technological advancement in the downstream industries has been accelerating continuously, and the downstream market is constantly proposing higher requirements and demands for upgraded technologies and processes. There can be no assurance that we will be able to develop and introduce new and upgraded products in a timely or efficient manner or that new and upgraded products, if developed, will achieve market acceptance and generate sufficient revenue to offset costs incurred for such development and further achieve profitability. Failure to timely innovate and upgrade our technologies and production processes could materially delay our development of new and enhanced products, which could result in loss of competitiveness and market share.

Our growth is also dependent on the ability of us to identify and penetrate new markets where we have limited experience yet require significant investments, resources and technological advancements in order to compete effectively. Our success in these markets is subject to a number of factors such as marketing and selling efforts, competitiveness of our existing and new products, customer preference and acceptance of our products and end products in which our products are used, and competitive landscape. There can be no assurance that we will achieve success in these markets and that the markets we serve and/or target based on our business strategy will grow in the future.

We face substantial competition.

We expect that the competition among providers of different SiC epitaxial wafer products may increase in the future and we face intense technological and pricing competition in the markets in which we operate. The introduction of new products, technologies and production processes by our competitors, the market acceptance of products based on our new or alternative technologies and production processes, or our failure to anticipate or timely develop new or enhanced products, technologies or production processes in response to changing market demand, whether due to technological shifts or otherwise, could result in a decrease of customers and reduced competitiveness. For example, in the early stage of our research and development of 8-inch SiC

epitaxial wafers, we experienced relatively long development cycles and high levels of uncertainty. This was primarily due to our limited familiarity with the epitaxial equipment and substrates at the time, which necessitated systematic evaluation and optimization of the production process. Certain competitors that possess more sufficient financial, technical and management resources to develop and market products may compete favorably against our products, and business integration among our competitors may allow them to compete more effectively. In the event that we are unable to overcome pricing pressure or achieve cost efficiencies, or match the technological, product, support or manufacturing advancements of our competitors, we may lose our current market share and experience decreases in sales volume, thereby adversely affecting our business, financial condition and results of operations.

The price of our products and our profit margin may be materially and adversely affected as the overall production capacity continues to increase in the future.

The global SiC epitaxial wafer industry is experiencing significant capacity expansion, coupled with rapid technology advancements. The selling price of our epitaxial wafer products may be adversely affected by the increasing production capacity and there is a downward trend in the selling price of our epitaxial wafer products. We consider costs of raw materials and manufacturing costs, technical specifications (such as complexity and yield rate), sales volume, and industry prevailing prices of SiC epitaxial wafer when pricing our products and services. In the event where prevailing industry prices are clearly declining, it is unlikely that we can maintain independent pricing, which means that we will need to adjust our average selling prices accordingly, thereby adversely affecting our financial performance. We cannot predict that if the production capacity of epitaxial wafer products will continue to grow rapidly in China and worldwide and to what extent that the technological development may reduce costs of production and accelerate the capacity expansion. During the Track Record Period, the average selling price of our SiC epitaxial wafers experienced downward pressure. Specifically, the average price of 6-inch SiC epitaxial wafers declined year by year during the Track Record Period, while the average price of 4-inch wafers initially declined before subsequently rising. These pricing pressures we experienced during the Track Record Period adversely affected our financial performance. If, in the future, supply of epitaxial wafer products significantly outpaces demand, we may experience further price reduction, which could adversely affect our profitability and results of operations.

Our performance is subject to the development and condition of our downstream industries that adopt our products. Any slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

Our performance is subject to the fluctuations of demands from downstream industries. Our SiC epitaxial wafer products are primarily offered to downstream customers operating across various industries. Our customers utilize our SiC epitaxy wafers to manufacture their products, typically power devices, for a wide range of downstream industrial applications, such as EVs, charging infrastructure, renewable energy, ESS, as well as emerging applications such as home appliances, AI computing power and data centers, smart grids, and eVTOL. Demand for our products largely depends on growth within the markets for the end products, which is impacted by factors beyond our control. These factors include, among others:

- a decline in demand for, or negative perception of, or publicity about, products of downstream industries;
- a downturn in general economic conditions in the PRC and worldwide;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of the downstream industries from the PRC;

- the inability of our customers to dedicate necessary resources to promote and commercialize their products;
- the inability of our customers to adapt to changing technological demands;
- the failure of our customers' end products in which our products are used to meet evolving industry requirements or achieve market acceptance;
- delays and project cancellations as a result of design flaws in the products developed by our customers;
- increased costs associated with potential disruptions to our customers' supply chain and other manufacturing and production operations;
- the deterioration of our customers' financial condition; and
- the effects of catastrophic and other disruptive events at our customers' offices or facilities including natural disasters, telecommunications failures, cyber-attacks, terrorist attacks, pandemics, epidemics or other outbreaks of infectious disease, breaches of security or loss of critical data.

In the event that any of the above events occur, the end product markets may not maintain stable growth and the demand for our products may be reduced. Therefore, our business, financial condition, results of operations and prospects could be materially and adversely affected.

A fluctuation in prices of raw materials or shortage in supply may disrupt our supply chain, increase our production costs, delay deliveries of our products to customers and affect our market price, which would further affect our business, financial condition and results of operations.

We depend on our suppliers to provide a variety of materials necessary for the manufacturing of our SiC epitaxial wafers including conductive SiC substrates and other accessory materials such as graphite components, chemicals, packaging materials and special gases. In particular, a fluctuation in raw material costs may disrupt our supply chain and increase our production costs. Our raw material costs amounted to RMB180.0 million, RMB495.0 million, RMB411.3 million, RMB327.3 million and RMB214.2 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, representing for 73.9%, 71.0%, 64.1%, 62.6% and 53.8%, respectively, of our total cost of sales in the same periods. During the Track Record Period, we experienced a high single-digit percentage increase in average purchase price of raw material costs from 2022 to 2023, because certain orders required higher proportion of substrates with higher prices, despite that we benefited from the raw material price decline ever after. Such increase was partially offset by the improved yield rate of substrates. Going forward, in case of material changes in raw material costs, we may need to consider adjusting our pricing policy for our products, which could affect the sales volume of such products, thereby materially and adversely affecting our operational performance and financial condition.

Our production volume and production costs depend on our ability to source key raw materials at competitive prices. However, the raw materials we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation and governmental regulations and policies. Any fluctuation in prices of raw materials or shortage or delay in the supply of our raw materials could result in occasional price adjustments of our products or cause delays in our production and delivery to customers. We cannot guarantee we will not in the future experience price fluctuations and supply shortages of raw materials. In such event, we may be required to seek alternate sources of supply and there is no guarantee that we will be able to find alternate sources

of supply in a timely manner and with reasonable price, or at all. If we are unable to keep up with demand for our products due to the failure to supply the raw materials we need, our customers may reduce, delay or cancel their orders and our business could be adversely affected.

Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us.

We primarily purchase raw materials from raw material production companies, and equipment and machinery from equipment supply companies. During the Track Record Period, we made purchases primarily from a limited number of our key strategic suppliers. In particular, our purchase from the five largest suppliers in each period during the Track Record Period were RMB430.3 million, RMB1,342.8 million, RMB376.5 million and RMB220.5 million, respectively, and accounted for 65.4%, 72.1%, 83.3% and 79.1% of the total cost of revenues for the respective years/periods. See "Business — Procurement and Supply Chain Management — Top Five Suppliers."

Our reliance on these major suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain relationships with our major suppliers in the future. Any decrease in purchases from, or loss of, one or more of our major suppliers would have negative impacts on our results of operations and financial condition. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business with us. For example, if our major suppliers cease to sell their products, or if the supply is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected.

Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions.

International trade frictions have been escalating continuously in recent years. Certain foreign jurisdictions have imposed or may impose export controls, economic sanctions or other trade-related measures in various forms, such as heavy tariffs or harsh trade conditions, against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. The United States and other jurisdictions or organization, including the European Union, the United Nations, the United Kingdom and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organization within such countries.

These uncertainties may be further exacerbated by shifting policy stances, new tariffs, trade restrictions, or changes to regulatory frameworks, particularly in environments where trade policy is frequently used as a tool of foreign policy and subject to sudden reversals. In particular, ongoing tensions between the U.S. and China have been characterized by frequent tariff actions, retaliatory measures, and abrupt policy changes that have affected global trade flows and supply chains. For instance, there have been changes in international trade policies and rising political tensions, particularly between the U.S. and China. The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards China. Starting from February 2025, the U.S. government imposed a series of tariff increases on imports from China. In response to the multiple rounds of tariff increases by the U.S. government, China also announced several rounds of retaliatory tariffs on goods imported from the U.S. For example, the United States government imposed a 20% tariff to address the fentanyl issue, and,

temporarily, a 125% reciprocal tariff on Chinese-origin goods. In May 2025, following a meeting between U.S. and Chinese officials in Geneva, the U.S. government suspended the heightened retaliatory "reciprocal" tariffs on China for 90 days, reducing such "reciprocal" rate to 10%, which was extended for 90 days by mutual agreement in August, 2025. On November 1, 2025, the U.S. and China announced their agreement to relax certain tariff and other trade controls. The United States has lowered the tariffs on Chinese imports imposed to curb fentanyl flows by removing 10 percentage points of the cumulative rate of 20%, effective November 10, 2025, and continued its suspension of heightened reciprocal tariffs on Chinese imports until November 10, 2026. In addition, the U.S. Commerce Department has recently initiated multiple investigations under section 232 of the Trade Expansion Act (19 U.S.C. 1862) to determine whether imports of certain products impair U.S. national security. These include investigations on imports of semiconductors, critical minerals, and their derivative articles. Depending on the outcome of this investigation, it is possible that the United States will impose additional tariffs or other affecting our customers who export goods to the United States. Additionally, prolonged trade disputes may affect global economic conditions and supply chains, potentially impacting our business and growth prospects.

International trade policies and international export controls and economic sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Targets. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risk, or our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. On August 9, 2023, the Biden administration released an executive order and an advanced notice of proposed rule-making (the "ANPRM") providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau. Further to this ANPRM, on June 21, 2024, the U.S. Department of the Treasury issued a proposed rule on outbound U.S. investments involving China that generally follows the ANPRM. On October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement the executive order of August 9, 2023 (the "Final Rule"). The Final Rule is effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "Covered Foreign Persons." U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "covered transactions," and include acquisitions of equity interests that are not yet offer, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities. The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us. As advised by a legal adviser engaged by us in connection with the foregoing matters, we do not believe we would be defined as a Covered Foreign Person under the Final Rule, because we do not engage in a "covered activity" (as defined in the Final Rule) or otherwise meet the definition of Covered Foreign Persons provided in the Final Rule. A "covered activity" as defined by the Final Rule, 31 C.F.R. 850.208 means any of the activities referred to in the definition of notifiable transaction in §850.217 or prohibited transaction in §850.224. Of relevance to the semiconductor sector, "covered activities" include the design, fabrication or packaging of integrated circuits (ICs), as well as the development or production of certain front-end fabrication equipment.

We primarily engage in the research and development, mass production, and sales of silicon carbide (SiC) epitaxial wafers and offers 4-inch, 6-inch, and 8-inch SiC epitaxial wafers to a wide range of customers. A SiC epitaxial wafer is a SiC substrate wafer with a thin crystalline layer of SiC grown on top using epitaxy, often with tailored electrical characteristics. This SiC epitaxial wafer serves as the foundation structure for fabricating SiC semiconductor devices. An IC is a set of electronic circuits comprising various electronic components and their electrical interconnections. Fabrication of ICs generally means fully processing (i.e., doping, etching, metalization, and packaging) wafers into functioning chips such as logic ICs (e.g., CPUs, GPUs), memory ICs (e.g., DRAM, NAND), or analog or radio frequency ICs. In stark contrast, SiC

epitaxial wafer production is a materials manufacturing step, before any semiconductor device or IC fabrication. The output is a raw or semi-processed material, not a circuit. Importantly, SiC epitaxial wafer does not involve photolithography, doping, etching, or metalization needed to create electrical circuits. It does not produce any logic gates, memory cells, or analog circuits. SiC epitaxial wafers are important materials for manufacturing SiC semiconductor devices, offering superior efficiency and thermal conductivity compared to traditional silicon wafers. However, a SiC epitaxial wafer itself is not an IC as it lacks electrical interconnections. Accordingly, based on our understanding and as advised by our legal advisor, the R&D and production of SiC epitaxial wafers is not considered as a design, fabrication, or packaging of ICs. Therefore, the Company's business does not fall within the scope of a "covered activity." However, there is no assurance that the U.S. Department of the Treasury will take the same view as ours. If we were to be deemed a "covered foreign person," and if U.S. persons engaged in a "covered transaction" (each as defined under the Final Rule) that involves the acquisition of our equity interests, such U.S. persons may need to make a notification pursuant to the Final Rule. In addition, even though U.S. persons' acquisitions of certain [**REDACTED**] securities (such as our H shares) will be exempted from the scope of covered transactions under the Final Rule, the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. [**REDACTED**] after this [**REDACTED**] given that relevant laws, regulations, and policies continue to evolve and we cannot rule out the possibility of being deemed a Covered Foreign Person in the future due to different views taken by the U.S. Department of the Treasury, potential amendments to the Final Rule or the introduction of similar regulations such as draft Comprehensive Outbound Investment National Security Act of 2024. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects.

We are subject to the risks associated with sanctions and export controls laws and regulations, international trade policies, and developing domestic and foreign laws and regulations, and our business, financial condition and results of operations could be adversely affected.

Our operations may be negatively affected by trade policies, sanctions and export controls regulations administered by the government authorities in the countries in and with which we operate, including, but not limited to, regulation of economic and labor conditions, increased duties, taxes and other costs. In addition to trade policy measures, the United States and certain other governments have imposed sanctions and export controls measures that directly or indirectly affect China-based technology companies. These types of laws and regulations may be subject to frequent changes, and their implementation, interpretation and enforcement involve substantial uncertainties, which may be heightened by potential national security concerns or other factors that are out of our control. Similar or more expansive restrictions may be imposed by different jurisdictions in the future. We will need to maintain heightened internal control and risk management policies to ensure sound compliance with such restrictions, which requires significant resources and efforts. Furthermore, such potential restrictions may materially and adversely affect our and our partners' abilities to acquire technologies, systems, devices or components that may be critical to business operations. Any of these developments could affect us, our customers and/or suppliers or economic conditions generally, any of which could adversely affect our business and financial condition.

Likewise, potential national security and foreign policy concerns may prompt governments to impose trade or other restrictions, which could make it more difficult to sell our products in, or restrict our access to, certain markets. In this regard, various trade, export controls, and economic sanctions laws and regulations may affect our businesses. For instance, in recent years, the United States has expanded sanctions and export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the United States Department of Commerce (the "**BIS**"). In addition to the United States, Japan, the Netherlands and various other governments are also imposing controls, licensing requirements and restrictions applicable to exports to China. These types of restrictions could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our products. Moreover, in August 2022, the United States enacted the Creating Helpful Incentives to Produce Semiconductors and

Science Act of 2022 (the "**CHIPS Act**"). The CHIPS Act aims to strengthen U.S. domestic semiconductor manufacturing, design and research, fortify the economy and national security, and to help the United States compete economically against China.

With respect to U.S. export controls, in October 2022, BIS issued an interim final rule (the "**BIS October 2022 IFR**") aimed at restricting China's ability to obtain advanced computing integrated circuits, develop and maintain supercomputers, and manufacture advanced semiconductors. In October 2023, BIS issued another interim final rule (the "**BIS October 2023 IFR**") that updated and expanded U.S. export controls imposed by the BIS October 2022 IFR (collectively, the "**BIS 2022/23 IFRs**"). Among other measures, the BIS 2022/23 IFRs add to the Commerce Control List (which is a list of commodities, software, and technologies that are subject to the EAR's more restrictive controls) certain advanced and high-performance computing integrated circuits and computer commodities that contain these integrated circuits, and impose new or expanded license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced node integrated circuits and advanced, or semiconductor manufacturing equipment in certain jurisdictions, including China. We neither purchase nor sell any products that were added to the restricted items list governed by the BIS 2022/23 IFRs which mainly includes certain advanced and high-performance computing integrated circuits and computer commodities that contain these integrated circuits. We do not need these items for manufacturing our products and our products do not contain any items covered by the BIS 2022/23 IFRs.

In addition to the restrictions introduced by the BIS 2022/23 IFRs, BIS maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met. The United States in recent years has placed an increasing number of entities, including a number of entities in China, on the Entity List and other restricted or prohibited parties lists. Given the sudden and unpredictable nature of these determinations, it is difficult to predict developments in this area and we have no ability to influence such determinations.

During the Track Record Period, we had received items subject to the EAR that are classified as EAR99 or an ECCN subject only to anti-terrorism ("**AT**") control. No license is generally required for exporting EAR99 to most destinations except to certain embargoed destinations (e.g., Cuba, Iran, North Korea, and the Crimea, Donetsk, and Luhansk regions of the Ukraine) or where there may be additional license requirements, such as for prohibited end use/end user restrictions (e.g., parties on the Entity List). We confirm that we do not transfer any EAR99 items to such embargoed destinations or prohibited end users. In addition, China is not a country subject to AT control and we confirm that we do not transfer any AT-controlled items subject to the EAR to any third parties. In light of the above, based on consultation with our legal adviser, while the export of EAR99 items and items classified under an ECCN subject only to is subject to U.S. export controls, we are eligible to receive the above-described items subject to the EAR without a license.

During the Track Record Period, we did not have any business operations in or with entities and individuals in any countries or regions subject to comprehensive embargoes administered by the U.S. Department of the Treasury, Office of Foreign Assets Control ("**OFAC**"). Also, we did not have any business relationships with parties on any sanction lists, including those maintained by OFAC or another U.S. government agency and other major jurisdictions, such as China, European Union and United Kingdom. In addition, no member of our Group is on any sanctions list mentioned above. Therefore, based on consultation with our legal adviser, we are of the view that we are not subject to sanctions.

On December 23, 2024, the U.S. Trade Representative ("**USTR**") self-initiated a Section 301 investigation of China's acts, policies, and practices related to targeting of the semiconductor industry for dominance. The investigation would initially assess whether the impact of the PRC's acts, policies, and practices on the production of SiC substrates (or other wafers used as inputs into semiconductor fabrication) contribute to any unreasonableness or discrimination or burden or restriction on U.S. commerce. On December 29, 2025, USTR published a *Federal Register* notice announcing its affirmative determination that, effective December 23, 2025, "China's acts, policies and practices are actionable under Section 301... and that the appropriate responsive action includes taking tariff action now on semiconductors from China." Based on its findings, USTR determined under Section 301(c) that responsive action is appropriate, including additional tariffs on semiconductors from China. However, the action will have a delayed effect, with a 0% additional tariff rate at the outset followed by an increase in 18 months on June 23, 2027, "to a rate to be announced not fewer than 30 days prior to that date." These tariffs will be in addition to the existing 50% tariffs on semiconductors under USTR's separate Section 301 action in response to China's technology transfer policies. The additional tariffs, effective June 23, 2027, will apply to the products and HTS subheadings listed in the Notice of Action, which covers the Company's products. Due to the delayed effect date, our products are not currently affected by these tariffs.

Aside from the above, based on consultation with our legal advisers, we are not aware of any other international trade policies that have a material impact on the business of our Company. However, as the Entity List and other sanctions and export controls laws and regulations continue to expand and evolve, future sanctions and export controls may materially affect or target some of our significant customers or suppliers, raw materials or key components or technologies necessary for our operations, in which event our business may be affected if we fail to promptly secure alternative customers or sources of supply on terms acceptable to us despite our effort to be law-abiding and rule compliant. Neither we nor our suppliers rely on particular materials imported/originated from the U.S. Nonetheless, we had procured certain materials from the U.S., amounting to RMB65.0 million, RMB124.7 million, RMB0.5 million and RMB0.4 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively, accounting for 9.9%, 6.7%, 0.1% and 0.1% of our total purchase for the respective years/periods. These export controls could adversely affect us and/or our supply chain, business partners, or customers, and our business, financial condition, and results of operations may be significantly affected by the continued international trade and political tensions. The CHIPS Act prohibits funding recipients from expanding semiconductor manufacturing in China and countries defined by U.S. law as posing a national security threat to the U.S. These restrictions would apply to any new facility, unless the facility produces legacy semiconductors predominately for that country's market. As such, the procurement by us of U.S.-origin materials for use in manufacturing our SiC epitaxial wafers is not subject to the CHIPS Act. In addition, since the materials we procure that are subject to the EAR are all classified as either (i) EAR99 or (ii) in an ECCN subject only to anti-terrorism controls (which do not apply to China), the export of these items to us by our suppliers does not require a license from the BIS.

If new sanctions and export controls measures were to include a complete or more restrictive ban on products sales to certain entities, it could impact not only our ability to continue supplying our products to affected customers, but could also negatively affect our customers' demand for our products, and could even lead to changes in supply chains of our products, to the extent they involve the use of items subject to the EAR or other applicable regulations. We do not rely on materials imported or originated from the U.S. in manufacturing our products. To the best of our knowledge, our suppliers do not rely on materials imported or originated from the U.S. Nonetheless, as our products become more technologically advanced, there is also a greater likelihood of sanctions and export controls regulations restricting our ability to obtain the components or technologies necessary to produce them or otherwise to export or transfer our products. Even if our products are not directly targeted by these types of sanctions and export controls, we may nonetheless face higher costs and expenses in our supply chain due to new sanctions and export controls measures as our customers and business partners may be negatively affected by sanctions and export controls measures directed at China. Any failure to comply with applicable sanctions or export controls rules may expose us to negative legal and business consequences, including civil or criminal penalties, and government investigations, which could be detrimental to our reputation and cooperations with our customers and suppliers despite our effort to be law-abiding and rule compliant.

Moreover, in response to Russia's conflict with Ukraine, the United States, the European Union, and various other jurisdictions have imposed far-reaching sanctions and export controls restrictions on Russia and many Russian entities and individuals such that sales to or other business in Russia or with such restricted entities or individuals are subject to heightened regulatory risks. These measures, as well as other economic and trade sanctions measures maintained by the United States, the European Union, and other jurisdictions, may prohibit or restrict our ability to, directly or indirectly, conduct activities or dealings in or with certain targeted countries and territories or involving certain targeted persons, or otherwise affect our business. New measures imposed by the United States, the European Union, or others could restrict certain of our operations and adversely affect our business, results of operations, and financial condition.

If we are unable to offer high-quality products, it may reduce the market adoption of our products, damage our reputation or expose us to product liability and other claims.

Our customers generally have stringent requirements for quality, performance and reliability that our products must meet. Due to the complex product development and production process, we cannot ensure that our products do not contain undetected defects or failures. If our products have defects or fail to meet customers' quality requirements, we may need to bear corresponding compensation liabilities and may suffer adverse impacts on our business performance and financial conditions. We could experience lost revenue, increased costs, including warranty expenses and costs associated with after-sales services, cancellations or rescheduling of orders or shipments, and product returns or discounts. They may also result in claims against us by our customers or others, and subject us to liabilities and damages. Our reputation or brand may be damaged, and our customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, financial condition and results of operations.

Taking into account our revenue decreased from RMB1,142.5 million in 2023 to RMB974.3 million in 2024 and from RMB808.3 million for the nine months ended September 30, 2024 to RMB535.1 million for the same period in 2025, our historical growth may not be indicative of our future performance, and we may not be able to manage our growth or execute our business strategies effectively.

In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our revenue was RMB440.7 million, RMB1,142.5 million, RMB974.3 million, RMB808.3 million and RMB535.1 million, respectively. However, we cannot assure you that our future revenue will continue to increase or that we will continue to be profitable, taking into account our revenue decreased from RMB1,142.5 million in 2023 to RMB974.3 million in 2024, and from RMB808.3 million for the nine months ended September 30, 2024 to RMB535.1 million for the same period in 2025. We anticipate that our cost of sales and operating expenses will further increase in the foreseeable future as we continue to grow our business, expand geographically, invest and innovate our technology infrastructure, and further broaden our product and service offerings. Our revenue, expenses and profitability may vary from period to period due to various factors beyond our control, including the general economic growth, development of SiC epitaxial wafer industry, changes in laws, regulations and rules applicable to us, the expansion and performances of our existing business, our ability to control cost, competitive landscape and customer preference. Even if we recorded adjusted net profits (Non-IFRS measure) of RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million, respectively, for the years ended December 31, 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, we cannot assure you that we may continue to achieve profitability in the future. Accordingly, [**REDACTED**] should not rely on our historical results as an indication of our future financial or operating performance.

In addition, we plan to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to obtain these resources consistently in the future. For instance, we may not be able to obtain additional internal and external

capital to support our business growth on commercially acceptable terms or at all, or to retain and attract sufficient number of competent staff to support our business development. In such event, we may not execute our business strategies and maintain our growth.

We may not grow our business as planned.

Our growth depends on a number of factors beyond our control. Any unexpected circumstances could disrupt our business operations and divert our attention to original business plans. Such unpredictability inherent in the business operation is common in our industry. There is no assurance that we may grow our business as planned and become profitable. Even if we realized profits in the past, there can be no assurance that we can maintain profitability in subsequent periods. Our failure to become or remain profitable could impair our ability to raise capital, expand our business and continue our operations, which may adversely and materially affect our financial condition and results of operations.

Our business depends on reliable and adequate transportation provided by third parties. Disruptions to the transportation could disrupt our deliveries and adversely affect our business, financial condition and results of operations.

Our products are delivered through third-party service providers. We had not experienced any material disruption of transportation or deliveries during the Track Record Period and up to the Latest Practicable Date. However, we are unable to control the process of transportation, and it may be disrupted by a number of factors, such as traffic accidents, border control, natural disasters and bad weather conditions. If access to and from our production bases are significantly damaged, cut off, suspended for repair or maintenance for an extended period of time, the delivery of our products would be significantly affected, and we may fail to deliver our products on time and breach our sales contracts. Any difficulties experienced by us in transporting our products may reduce demand for our products and cause our customers to select suppliers closer to their operations and who are able to supply products with quality considerably similar to ours or to demand significant lower prices for our products. Any such adverse development could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our revenue was derived from our major customers in each year/period comprising the Track Record Period. Any decrease in sales from, or loss of major customers may have negative impacts on our results of operations.

Our sales to the five largest customers in each year/period during the Track Record Period were RMB381.5 million, RMB938.0 million, RMB783.3 million and RMB331.0 million, respectively, and accounted for 86.5%, 82.1%, 81.2% and 61.9% of the total revenue for the respective years/periods. See "Business — Sales and Marketing — Customers — Top Five Customers." In particular, Customer A was one of our five largest customers in 2022, 2023 and 2024. Our revenue generated from Customer A amounted to RMB246.6 million, RMB614.6 million, RMB104.4 million, and nil in each year/period during the Track Record Period, respectively, accounting for 56.0%, 53.8%, 10.7% and nil of our total revenue for the respective year/period. There can be no assurance that we will be able to develop new customers or maintain or increase collaboration with our existing customers. Given the significant revenue contribution by our major customers, any decrease in sales from, or loss of, one or more of our major customers may harm our business, financial condition and results of operations.

Any disruption to the operation of our production bases could restrict our ordinary business operations and materially and adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, we had one production base in Xiamen. See "Business — Production — Production Facilities." The current and future operation of our production bases may be disrupted by natural disasters, such as floods, earthquakes, typhoons, and other events such as fires, mechanical breakdowns, telecommunications failures, loss of licenses, certifications and permits, changes in governmental planning for the underlying land, and the regulatory development,

many of which are beyond our control. As our production process and safety-critical operations require substantial amounts of electricity, therefore any power outage, disruption or shortage in power supply could have a materially adverse impact on our production.

As part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of special equipment and management of special gases. Therefore, we are subject to risks associated with these activities, including gas leakages, equipment failures, industrial accidents, fires and explosions. These accidents can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences could disrupt the operation of our production bases and result in legal liability, and thus materially and adversely affect our financial condition and results of operations.

Failure to successfully execute capacity expansion plans and our equipment maintenance and upgrades or to effectively utilize our production bases may have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects and future profitability depend on, among other things, our ability to upgrade the production capability and increase production capacity, either generally or with respect to demand from customers for particular products. To successfully upgrade our production capability and expand production capacity, we need to make cost-effective and efficient upgrade and expansion plans, expand and construct new facilities, maintain and purchase production equipment, and hire and train professionals necessary to operate such facilities or equipment, all of which may be affected by several factors including, but not limited to, the following:

- availability of working capital for constructing facilities or purchasing equipment;
- delays in completion of construction and shortages or delays in the delivery of equipment;
- difficulties or delays which may arise in installing the equipment; and
- implementation of new production processes.

We cannot guarantee that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand for or profit margin of our products. If we are unable to implement the upgrade or expansion plan cost-effectively and efficiently, our business and profitability may be adversely affected.

In addition, if we do not receive sufficient orders from our customers to effectively utilize our production bases, we may be subject to low utilization rates of production capacity or over-capacity for our production bases, which may hurt our profitability and results of operations. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new production bases or expansion of any existing facilities and maintenance of expanded production capacity. Further, our Company has entered, and may in the future enter, into agreements for our expansion plans. Any delay or cancellation of our expansion plan or any failure to fulfill related commitments could also subject us to penalties or disputes with various counterparties. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business depends on our ability to protect our proprietary know-how and intellectual property rights.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with third parties to protect our intellectual property rights. We had not experience any material

infringement of intellectual property rights or know-how or misappropriation of patents or other intellectual property rights during the Track Record Period and up to the Latest Practicable Date. However, we still face various risks about our intellectual property rights. There is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, as such applications are expensive and time consuming. See "Business — Intellectual Property." In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks related to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. Accordingly, we may not be able to effectively protect or enforce our intellectual property rights in all relevant jurisdictions, which may have a material adverse effect on our business, financial condition and results of operations.

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to face the risk of obsolescence for our inventories.

Our inventories consist of raw materials, work-in-progress and finished goods. We have taken measures to optimize our inventory level and conduct regular inventory check to reduce the risk of inventory obsolescence. See "Business — Procurement and Supply Chain Management — Supply Chain and Inventory Management." As of December 31, 2022, 2023 and 2024 and September 30, 2025, we had inventories of RMB91.4 million, RMB351.1 million, RMB247.6 million and RMB270.9 million, respectively. We provided provision against inventories by estimating the net realizable value based on the estimated selling price of such inventories in the ordinary course of business. We made provision for inventories as our inventories may be damaged, obsolete in whole or in part, or the net realizable value of inventories is lower than their cost, resulting in failure to recover the cost of inventories. For the same periods, our inventory turnover days were 106 days, 116 days, 170 days and 178 days, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Balance Sheets — Assets — Inventories."

We primarily adopt a production volume-based procurement model, and reserve raw materials as appropriate. However, we cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, work-in-progress and finished goods. We maintain our inventory levels based on our internal forecasts of customers' demand. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory of our raw materials, work-in-progress or finished goods. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Therefore, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends substantially on the continued services and efforts of our experienced management and research and development personnel, and our operations may be severely disrupted if we lost their service.

Our future performance depends on the service and contribution of our experienced management to oversee and execute our business plans, identify and pursue new opportunities and product innovations. We also rely on our experienced management team to ensure smooth business

operations, including maintenance of customers and supplier relationships, and management of our operations. Any loss of service of our management can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and results of operations. From time to time, there may be changes in our management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our research and development team. A stable and experienced R&D team is crucial for our product development, technological innovation, production efficiency and product quality improvement. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly skilled engineers with expertise in the R&D and production of SiC epitaxial wafers. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we need in order to achieve our strategic objectives.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to maintaining and expanding our business. Maintaining, promoting and enhancing our brand depends largely on our ability to continue to provide high quality products, which we cannot assure you we will do successfully in the future. Any issue caused by quality, performance, reliability and stability of our products as well as pricing may harm our reputation and brand. It is possible that our new products may not be recognized by our downstream customers. Additionally, if our downstream customers have negative experience using our products, such an encounter may affect our brand and reputation within the industry.

The successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We incurred marketing expenses in the past and may continue to allocate resources on marketing. We cannot guarantee that our marketing efforts will be successful, or that they will yield significant benefits that justify the costs. Any such failure may result in our declining market recognition and position, and adversely affect our business, financial condition and results of operations.

Our SiC epitaxial wafer products may be subject to warranty, indemnity and/or product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial condition, results of operations and prospects.

SiC epitaxial wafer products are highly complex and may contain defects that affect their quality or performance. If any of our products contain defects, we may be required to incur additional development and remediation costs pursuant to warranty and indemnification provisions in our contracts and purchase orders, which may divert our technical and other resources from other product development efforts. During the Track Record Period, we had not experienced any refund, and had two, 15, 218 and 1,288 pieces of product replacements for our customers, corresponding to revenue of RMB22.0 thousand, RMB0.1 million, RMB2.0 million and RMB5.5 million in 2022, 2023, and 2024 and for the nine months ended September 30, 2025, respectively, accounting for nil, nil, 0.2% and 1.0% of our total revenue in each year/period. The increase for the nine months ended September 30, 2025 was primarily due to changes of specifications of certain customer orders, and the cost of which was not borne by the Company. Our downstream customers and any third party that use our products may bring claims against us for indemnification and damages resulting from the defects of our products, which may be significant in certain cases. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our

technical and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems not capable of being resolved, our reputation may be harmed, which could adversely affect our operating results.

If we fail to develop new products that address customer preferences and achieve market acceptance in a timely and cost-effective manner, our results of operations could be adversely affected.

Our products are primarily based on the SiC epitaxial wafer technologies, and our future success depends on the successful expansion of our SiC epitaxial wafer product portfolio and customer base. Our customers are constantly seeking new products with more features and functionality at lower cost, and our success relies heavily on our ability to continue to develop and provide our customers with new and innovative products and improvements of existing products. In order to gain market share and remain at the forefront of the SiC epitaxial wafer industry, we must constantly introduce new and innovative products and respond to new and evolving customer demands.

The success of a new product depends on a variety of specific implementation factors, including:

- timely development of new technologies and adaption to changes in existing technologies;
- timely and cost-effective processing and mass production to accommodate new product designs, while ensuring functionality, performance and reliability;
- effective marketing, sales and services to gain market share; and
- strong and sustainable market demand.

Product design, development, innovation and iteration is often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, we had R&D expenses of RMB43.8 million, RMB101.8 million, RMB80.0 million, RMB62.1 million and RMB50.4 million, respectively. The SiC epitaxial wafer industry is highly competitive, characterized by rapidly changing technologies and technological obsolescence. We may invest significant resources in R&D activities and incur significant R&D expenses in the future to achieve technological breakthroughs, as well as maintain our technological leadership and the competitiveness of our products and solutions. There can be no assurance that we will be able to develop and introduce new and enhanced products in a timely or efficient manner or that we will continue to achieve technological breakthroughs and successfully commercialize such breakthroughs through our R&D activities. Failure to timely develop new technologies or to react quickly to changes in existing technologies could materially delay our development of new and enhanced products, which could result in product obsolescence, decreased revenue, and/or a loss of market share to competitors. Our investments in R&D activities may not generate sufficient revenue to offset liabilities assumed and expenses associated with these investments.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and process data primarily related to the transactions with our enterprise customers. See "Business — Data Privacy and Information Technology Systems." The secure maintenance of such information is critical. Despite our security measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power outage or telecommunication failures. We had not experience any material security breaches during the Track Record Period and

up to the Latest Practicable Date. However, any such breach could compromise our networks, and the confidential and proprietary information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

We have granted, and may continue to grant, restricted share units or other types of awards under our share incentive plans, which may result in increased share-based payment compensation. Those share-based awards may also adversely impact our results of operations and be dilutive to your shareholding.

We adopted the [**REDACTED**] Share Incentive Scheme to enhance our ability to attract and retain outstanding individuals and to encourage them to acquire a proprietary interest in the growth and performance of us. We incurred share-based payment compensation of RMB28.6 million, RMB256.2 million, RMB154.2 million, RMB141.2 million and RMB124.5 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.

We believe share-based awards as part of an overall compensation package are important to attracting and retaining key personnel and employees, and we plan to continue to grant share-based payment compensation to employees in the future. Based on our existing share-based compensation plan, we will incur share-based compensation expenses from 2025 to 2029. The share-based compensation expenses are expected to amount to RMB166.0 million from 2025 to 2028 per year, and RMB78 million in 2029. The actual share-based compensation expenses we recognize may exceed the estimated amounts, as we will continue granting share options to employees to retain and attract talents. As a result, our share-based payment compensations may remain in foreseeable years from 2025 to 2029, which may have an adverse effect on our results of operations and financial condition and dilute your shareholding.

We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of SiC epitaxial wafer products. As of December 31, 2022, 2023 and 2024 and September 30, 2025, our trade and bills receivables amounted to RMB106.8 million, RMB78.7 million, RMB129.6 million and RMB269.0 million, respectively. The credit period granted to our customers was generally 30 days to 90 days from the date of billing. We generally recovered trade receivables within four months. See "Financial Information — Discussion of Selected Items from the Consolidated Balance Sheets — Assets — Trade and Bills Receivables" in this Document.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstance. For example, our trade and bills receivables turnover days increased from 29.6 days in 2023 to 39.0 days in 2024 and further to 102.0 days for the nine months ended September 30, 2025, attributable to the delay in payment by certain customers due to their worsened operational performance. As a result, we may not be able to receive such customers' payment of outstanding debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

Fluctuations in foreign currencies may adversely affect our business, financial condition and results of operations.

The exchange rate of Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes in international political and economic conditions, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements and obligations. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future.

As a substantial portion of our revenue derived from overseas markets during the Track Record Period and our overseas sales were typically settled in U.S. dollar, any appreciation of the Renminbi may result in a decrease in the value of U.S. dollar amount, which may adversely affect our financial condition.

Furthermore, the [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the Hong Kong dollar or any other foreign currency may result in a decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

Expiration of, or changes to, certain government incentives, government grants and preferential tax treatments which we are entitled to could adversely affect our financial condition and results of operations.

During the Track Record Period, we recorded government grants of RMB13.5 million, RMB47.4 million, RMB111.9 million, RMB95.7 million and RMB103.0 million in our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively, which represent incentive policies for business and R&D activities.

In addition, we benefited from preferential tax treatments from the PRC regulatory authorities during the Track Record Period. Our Company was qualified as High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% for a certain period of time. According to the Circular on Improving the Policy on Extra Super-deduction of R&D Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the STA, the MOF and the MOST, effective from January 1, 2016 onwards, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses amounting to 50% of its research and development expenses in determining its tax assessable profits for the year. The super-deduction ratio of R&D expenses increased from 50% to 75%, effective from January 1, 2018 to December 31, 2020, according to the new tax incentives policy, the Notice of Increasing the Ratio of the Super-deduction of R&D Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the STA, the MOF and the MOST in September 2018. The applicable period of this policy was subsequently extended to December 31, 2023, pursuant to the Announcement of the MOF and the STA on Extending the Implementation Period of Some Preferential Tax Policies (《財政部稅務總局關於延長部分稅收優惠政策執行期限的公告》) issued on March 15, 2021. The ratio of the super-deduction of R&D expenses has been further increased to 100% for enterprises entitled to 75% super-deduction of R&D expenses during the period from October 1, 2022 to June 30, 2023, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to June 30, 2023 from the taxable income amount on a one-off basis in the current year, according to the Announcement on Increasing Super-deduction in Support of Scientific and Technological Innovation (《關於加大支持科技創新稅前扣除力度的公告》) promulgated by the STA, the MOF and the MOST in September 2022. According to the Announcement of the MOF and the STA on Further Improving the Pre-tax Deduction Policy for R&D Expenses (2023) (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告(2023)》), where R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current profit and loss, from January 1, 2023 onwards, 100% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year, and where intangible assets have been formed, 200% of the costs of the intangible assets shall be amortized before tax. We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period. We cannot assure that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations and business expansion. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our profitability, overall financial condition and results of operations;
- our market position and competitiveness in the SiC epitaxial wafer industry;
- general market conditions for capital-raising activities by our competitors in China; and
- economic, political and other conditions internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity securities or incur additional indebtedness. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholding interest. The additional indebtedness and related interest expenses could lead to increased debt service obligations and restrict our operations or our ability to pay dividends to our Shareholders due to certain operating and financing covenants.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business without infringing the intellectual property rights of third parties. Our products may use patents, copyrights, trademarks or other proprietary rights owned by other third parties. We cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims have merits or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, may be subject to revision and development in the future, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. We may also be subject to claims from our management's or employees' former employers alleging violations of non-compete agreements, confidentiality obligations, or infringement of intellectual property rights. There can be no assurance that such former employers will not initiate legal proceedings against us, regardless of merit, particularly as our personnel had significant industry experience. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. There is no guarantee that we can obtain favorable judgments in all legal cases. If we are found to be liable for infringement upon intellectual property rights of certain third parties, we may be required to pay damages or cease using certain technologies or content that are critical to our products. Any resulting liabilities or expenses or any changes to our products that we have to make to limit future liabilities may have a material adverse effect on our business, financial condition and results of operations.

We may not have sufficient insurance coverage to cover our potential liability or losses.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. We also plan to purchase property insurance and employer's liability insurance that we believe are

customary for businesses of our size and type and in line with standard commercial practice in China. See "Business — Insurance." Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. Any uninsured occurrence including, among others, business disruption, material litigation, natural disaster or significant damages to our uninsured equipment or facilities may result in substantial costs and the diversion of resources. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, which may increase our operational costs and our risk of non-compliance despite our effort to be law-abiding and rule compliant. Compliance with evolving regulations may also cause delays in our production.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding environmental, social and governance risks. As we are committed to being law-abiding and rule compliant, our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our production process produces pollutants such as waste gas, wastewater, noise and solid waste. The discharge of waste gas and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. Should the governments impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such standards and regulations at reasonable costs, or at all. Any failure or any claim that we have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our public image, either of which could harm our business.

Moreover, as these laws, regulations and standards may be further adjusted and optimized in the future, their enforcement in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty for compliance and additional costs necessitated by ongoing updates to our disclosure and governance practices. Any failure to address and comply with these laws and regulations and any subsequent changes could subject us to substantial fines or other liabilities or require us to suspend or adversely modify our operations. Despite our effort to be law-abiding and rule compliant, we cannot assure you that we will always be in full compliance with existing or future laws and regulations, or that we will be able to obtain or renew all necessary licenses.

We have limited control over the operations of our channel partners. Our business may be negatively affected due to risks relating to the acts of our channel partners and their potential breach of agreements with us.

We engage with channel partners for a small percentage of our sale in Asian markets. According to CIC, facilitating transactions through channel partners are widely adopted and are industry norm in the relevant regions. The channel partners are primarily engaged to complement our sales team and to facilitate transactions in accordance with the distribution trading practice of the region where our end customers are located. By leveraging their local market expertise, established networks, and logistical capabilities, the channel partners help us accelerate our market entry and reduce operational complexities. Channel partners provide valuable insights into regional

regulations, customer preferences, and competitive landscapes, enabling us to focus on core competencies while ensuring efficient market penetration and scalable growth. This strategic partnership mitigates risks, enhances cost efficiency, and strengthens our ability to deliver satisfactory customer service in diverse international markets. In December 31, 2022, 2023 and 2024 and September 30, 2025, we had three, three, three and three channel partners, respectively. In 2022, 2023 and 2024 and for the nine months ended September 30, 2025, revenue from our channel partners amounted to RMB96.1 million, RMB126.7 million, RMB72.0 million and RMB32.1 million, respectively, representing 21.8%, 11.1%, 7.4% and 6.0% of the total revenue for the respective periods. During the Track Record Period and up to the Latest Practicable Date, we have no material unresolved disputes or lawsuits with our channel partners.

Furthermore, there can be no assurance that we will be successful in detecting any non-compliance of our channel partners with the cooperation agreements. We may be exposed to the risks of fraud or other misconduct committed by our channel partners. Fraud or other misconduct by our channel partners may involve engaging in unauthorized misrepresentation to our customers, misappropriating third party's intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, be subject to claims brought by our customers or third parties for fraud or other is conduct committed by such channel partner, which could result in potential substantial financial liability and diversion of our managerial and financial resources regardless of whether the claim has merits. In such event, our business, financial condition and results of operations may be adversely affected.

Despite our effort to be law-abiding and rule compliant, we may still fail to obtain or continuously maintain or renew approvals, licenses or permits applicable to our business operation due to various reasons. Any such failure may have a material and adverse impact on our business, financial condition and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits in order to operate our business. Despite our commitment to being law-abiding and compliant with regulations, there remains a potential risk of failing to obtain, maintain, or renew the approvals, licenses, or permits necessary for our business operations. If we fail to maintain compliance with such laws and regulations, or otherwise fail to obtain or maintain any of the required approvals, licenses or permits or make or complete the necessary filings in any of the jurisdiction where we operate our business, our operations may be adversely affected.

In addition, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses and permits in a timely manner or at a reasonable cost. If we are unable to obtain, or experience material delays in obtaining necessary approvals, licenses and permits, it may have a material and adverse impact on our business, financial condition and results of operations.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, financial condition, results of operations and prospects.

We may be subject to disputes or claims of various types brought by our competitors, employees, suppliers, customers, business partners or governmental entities against us relating to contractual disputes, labor disputes, intellectual property infringements or disputes involving misconducts of our employees. Such disputes and claims may evolve into litigations and damage our reputation, thereby adversely affecting our customer base. We had not experience any material incidents of employee fraud or related misconducts during the Track Record Period and up to the Latest Practicable Date. However, we cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Litigation is distractive and expensive as it may cause us to incur legal fees, allocate a significant portion of our resources and divert management

team's attention from our day-to-day operations, any of which could adversely affect our business. In the event of an adverse judgement against us, we may need to spend a significant amount to settle claims or pay damages, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners and customers, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents.

We, our shareholders, affiliates, Directors, Supervisors, senior management and employees may be involved in legal or other proceedings from time to time and may face reputational risks and significant liabilities as a result.

We, our shareholders, affiliates, Directors, Supervisors, senior management and employees may be involved from time to time in disputes with various parties, including but not limited to our customers, suppliers, competitors, employees, former shareholders, device providers, insurers and banks. For example, in January 2025, Tang Xiuhao (湯秀豪), our former shareholder and an Independent Third Party, brought a legal action against Dr. Zhao, among others, alleging and requesting the court to confirm that the subscription of Dr. Zhao for the 50% equity interest of the Company upon its establishment in 2011 was inaccurate capital contribution (出資不實). Tang Xiuhao was not a shareholder or investor of the Company upon the establishment of the Company and when the aforesaid contribution was made. Further, Tang Xiuhao and his affiliate had divested all his investment in the Company in 2018 and had no other relationship with the Company ever since. On June 9, 2025, Dr. Zhao won the case in the first instance (一審) and the claims of Tang Xiuhao were dismissed in their entirety, and Tang Xiuhao disagreed with the judgment and filed an appeal. As confirmed by our PRC Legal Adviser, Dr. Zhao's then capital contribution has fulfilled the necessary procedures and registration requirement and has complied with the then laws and regulations in the PRC. Therefore, there is no inaccurate capital contribution from Dr. Zhao.

Any disputes involving us, our shareholders, affiliates, Directors, Supervisors, senior management and employees may lead to legal or other proceedings, including threatened proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

Our Single Largest Shareholder has substantial influence over our Group and his interests may not be aligned with the interests of our other Shareholders.

Our Single Largest Shareholder has significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the [**REDACTED**], Dr. Zhao will remain as the Single Largest Shareholder of our Group. The interests of our Single Largest Shareholder might differ from the interests of our other Shareholders. In the event that our Single Largest Shareholder causes us to pursue businesses that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Single Largest Shareholder and our other Shareholders may also materially and adversely affect our operations such as the decision and implementation of our business plans, which may in turn affect our business and results of operations.

We may be subject to natural disasters, health epidemic, acts of war, terrorism or other factors beyond our control.

Natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fires or floods, outbreaks of a widespread health epidemic or pandemic such as COVID-19, or other events such as acts of war, terrorism, environmental accidents, power outages or communication interruptions may result in loss of lives, injury, destruction of assets and may materially and adversely affect our business. Our operations could also be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error, cyber-attacks or other accidents. There is no assurance that we can respond to such interruptions in a timely manner, or at all. Furthermore, our technology infrastructure is also vulnerable to damages from fires, floods, earthquakes and other natural disasters, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our customer and user satisfaction, which in turn could adversely affect our reputation, business and financial condition.

Risks Related to Conducting Business in jurisdictions where we operate

Changes in China's or global economic, political or social conditions or government policies in the countries and regions where we operate could have a material and adverse effect on our business and operations.

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy has experienced significant growth over the past decades, and the PRC regulatory authorities has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy but may not have the same effect on us. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations.

In addition, the global economic and social conditions are evolving rapidly and are subject to uncertainties. For example, health epidemics have caused significant downward pressure for the global economy. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system, and the adjusting of monetary policy by the U.S. Federal Reserve impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global economic conditions in the long term. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures may have a significant impact on the targeted countries, markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

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 substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors, Supervisors and executive officers reside in China. As a result of cross-jurisdiction enforcement of judgments or cross-jurisdiction initiation of proceedings, it may not be possible for you to directly effect service of process upon us or such Directors, Supervisors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of Mainland China or any designated Hong Kong Special Administrative Region court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people's court of Mainland China or Hong Kong Special Administrative Region court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong, China has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in Mainland China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any gains on the sales of our H Shares by [REDACTED] and dividends paid to [REDACTED] on our H Shares may be subject to PRC tax.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from China and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements, and that the number of stockholders is large for a [**REDACTED**] company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares [**REDACTED**] in Hong Kong can withhold dividend income tax at a rate of 10%. It shall be determined in accordance with the relevant laws and regulations in force at the time as to whether gains realized by non-PRC resident individuals on dispositions of H Shares are subject to the PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the nonresident enterprise domiciles. In accordance with applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

It shall be determined in accordance with the relevant laws and regulations in force at the time as to the further interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident holders of our H Shares are subject to personal income tax or enterprise income tax on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your [**REDACTED**] in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

Payment of dividends is subject to restrictions under PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

We are subject to PRC regulatory authorities' regulations on currency conversion and risks relating to fluctuations in exchange rates.

Given the nature of our business, we regularly deal in multiple currencies and are therefore exposed to significant foreign exchange risk. We receive a lot of our revenues in Renminbi, the exchange of which is subject to the applicable regulatory requirements. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under the PRC's existing foreign exchange regulations, by complying with certain procedural requirements, following completion of the [**REDACTED**], we will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE. However, in the future, the PRC regulatory authorities may, at its discretion in accordance with law, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's international economic conditions and the PRC regulatory authority's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates published by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition and results of operations.

The civil law system in China differs from common law systems.

The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. The laws and regulations in China are subject to further revisions or interpretations from time to time. New laws, regulations, guidelines and interpretations that are promulgated in the future may affect the rights and obligations of the parties involved. Therefore, you should reasonably expect the legal protections you are entitled to under legal system in China. We cannot assure you that we will always be in full compliance with existing or future laws and regulations, or that we will be able to obtain or renew all necessary licenses.

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

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local regulatory authorities from time to time at locations where they operate their business.

During the Track Record Period and as of the Latest Practicable Date, we have not received any order or notice from the local authorities regarding the shortfall in payments and contributions of social insurance and housing provident funds, and according to our PRC Legal Adviser, the risk of us being subject to administrative penalties is remote. However, we cannot assure you that we will not be subject to any order from the relevant government authorities in the future that requires us to pay the outstanding amount or imposes late fees or fines on us. We cannot assure you that we will always be in full compliance with existing or future laws and regulations, or that we will be able to obtain or renew all necessary licenses. We may also incur additional costs to stay compliant with evolving laws and regulations. Any such development could adversely affect our business, financial condition, results of operations and prospects.

Risks Related to the [REDACTED]

There has been no previous [REDACTED] for our H Shares, and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. The H Share [**REDACTED**] is the result of negotiations between us and the [**REDACTED**] on behalf of the [**REDACTED**] and may differ significantly from the [**REDACTED**] for our H Shares following the [**REDACTED**]. We have applied for the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares on the Hong Kong Stock Exchange. A [**REDACTED**] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for our H Shares will develop, or if it does develop, will be sustained following the [**REDACTED**] or that the [**REDACTED**] of our H Shares will not decline following the [**REDACTED**].

Furthermore, the price and [**REDACTED**] of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will [**REDACTED**]:

- actual or anticipated fluctuations in our revenues and results of operations;
- news regarding the recruitment or loss of key personnel by ourselves or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares, or sales or perceived sales of additional H Shares by us or other Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated, or not directly related, to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the [**REDACTED**] and [**REDACTED**] of our H Shares.

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

The price and [**REDACTED**] 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. In particular, the business and performance and the [**REDACTED**] of the shares of other companies engaging in similar business may affect the price and [**REDACTED**] of our H Shares. In addition to market and industry factors, the price and [**REDACTED**] 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 [**REDACTED**] on the Hong Kong Stock Exchange with significant operations and assets in China 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 but related to the overall economic conditions in Hong Kong, the PRC or elsewhere in the world.

We cannot assure you that the [**REDACTED**] and [**REDACTED**] of our H Shares will remain stable or appreciate over time, and [**REDACTED**] may experience substantial losses. In addition, the volatility in the [**REDACTED**] and [**REDACTED**] of our H Shares may also negatively impact our ability to raise capital in the future through the issuance of additional equity securities.

Purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases and may experience further dilution if we issue additional H Shares pursuant to the exercise of the [REDACTED].

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, purchasers of our H Shares may experience further dilution of their shareholdings if we issue additional H Shares pursuant to the exercise of the [**REDACTED**]. The [**REDACTED**] comprises: (i) the [**REDACTED**] of [**REDACTED**] H Shares (subject to reallocation); and (ii) the [**REDACTED**] of [**REDACTED**] H Shares (subject to reallocation and the [**REDACTED**]). The [**REDACTED**] will represent approximately [**REDACTED**]% of the enlarged issue share capital of our Company immediately after completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised. If the [**REDACTED**] is exercised in full, the [**REDACTED**] will represent approximately [**REDACTED**]% of the enlarged issued share capital of our Company immediately following the completion of the [**REDACTED**] and the issue of [**REDACTED**] pursuant to the [**REDACTED**].

Substantial future sales or the expectation of substantial sales of our H Shares in the public market following the [REDACTED] could materially and adversely affect the price of our H Shares.

Although our Single Largest Shareholder is subject to restrictions on their sales of H Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this Document, future sales of a significant number of our H Shares by our Single Largest Shareholder or other existing shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the [**REDACTED**] of our H Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our H Shares. We cannot assure you that our Single Largest Shareholder, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Single Largest Shareholder or other existing Shareholders, or the Shares available for sale by our Single Largest Shareholder or other existing

Shareholders, or the issuance of Shares by our Company may have on the [**REDACTED**] of the H Shares. Sale or issuance of a substantial number of Shares by our Single Largest Shareholder or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing [**REDACTED**] of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

We may not be able to pay dividends in the foreseeable future after the [REDACTED].

We may not be able to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [**REDACTED**] in our H Shares as a source for any future dividend income.

Our ability to pay dividends will depend on various factors, including whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the corporate approval processes. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend."

Certain facts, forecast 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 a report prepared by CIC that we commissioned. We have not independently verified any information or statistics sourced exclusively from official government channels. 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. 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 statements contained in this Document are subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other 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.

[**REDACTED**] **should read the entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document.**

The [**REDACTED**] is being made solely on the basis of the information and representations contained in this Document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this Document should not be relied upon in making an [**REDACTED**] decision with respect to the securities being [**REDACTED**].

Prior to the publication of this Document, there has been coverage in the media regarding us and the [**REDACTED**], which may have contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. [**REDACTED**] should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media's coverage of our company and the [**REDACTED**] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets, and the demands of advertisers.

We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Document. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this Document only and should not rely on any other information.

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant for a primary [**REDACTED**] on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

We do not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Our headquarters, senior management, business operations and assets are primarily based outside of Hong Kong. Our executive Directors ordinarily reside in the PRC and, given that they play very important roles in our Company's business operations, it is in our best interests for them to continue to be based where our Group has significant operations; it would not be beneficial to or appropriate for our Group, and therefore not in the best interests of our Company or the Shareholders as a whole, to relocate any of our existing executive Directors to Hong Kong or appoint additional executive Directors ordinarily resident in Hong Kong.

Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is regular and effective communication between us and the Stock Exchange based on, among others, the following conditions:

(i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorized representatives appointed are Dr. Zhao and Ms. Wong Wai Yee, Ella (the "**Authorized Representatives**"). Ms. Wong Wai Yee, Ella is situated and based in Hong Kong, and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of the Authorized Representatives will be readily contactable by telephone and email to deal promptly with enquiries from the Stock Exchange. Our Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange promptly in respect of any change in the Authorized Representatives;

(ii) both Authorized Representatives have the means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Our Company has implemented a policy whereby (i) each Director has provided their respective valid phone numbers or other means of communication to the Authorized Representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavor to provide his/her phone number of the place of his/her accommodation to the Authorized Representatives or maintain an open line of communication via his/her mobile phone; and (iii) each Director has provided his/her mobile phone number, office phone number, email address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;

(iii) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his/her contact information to the Stock Exchange and to the Authorized Representatives. This will ensure that the Stock Exchange and the Authorized Representatives should have means for contacting all Directors promptly at all times as and when required;

(iv) all our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice, when required;

(v) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Rainbow Capital (HK) Limited as our Compliance Adviser upon [**REDACTED**] for a period commencing on the [**REDACTED**] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**]. The Compliance Adviser will act as an additional channel of communication with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange. The contact details of the Compliance Adviser have been provided to the Stock Exchange;

(vi) our Authorized Representatives, Directors and other officers of our Company will promptly provide such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, Authorized Representatives, Directors and other officers of our Company and the Compliance Adviser, and, to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and us. Meetings between the Stock Exchange and our Directors may be arranged through our Authorized Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of Authorized Representatives and/or the Compliance Adviser;

(vii) we will appoint other professional advisers (including legal advisers in Hong Kong) after the [**REDACTED**] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and

(viii) our Company has designated staff members as the communication officers at our headquarters after the [**REDACTED**] who will be responsible for maintaining day-to-day communication with the Authorized Representatives and our Company's professional advisers in Hong Kong, including our legal advisers in Hong Kong and the Compliance Adviser, to keep abreast of any correspondence with and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Zhao Jianhui (趙建輝)	Room 508 No. 198-1, East 2nd Road Tongxiang High-tech City Torch Hi-tech Zone Xiamen, Fujian PRC	American
Ms. Pan Menghan (潘夢菡)	Room 508 No. 198-1, East 2nd Road Tongxiang High-tech City Torch Hi-tech Zone Xiamen, Fujian PRC	American
Ms. Bai Liting (白麗婷)	Room 503, No. 12, Huxin Erli Vanke Huxin Island Huli District Xiamen, Fujian PRC	Chinese
Non-Executive Directors		
Mr. Fang Wei (方偉)	Room 1301, No. 1, Lane 2088 Wanhangdu Road Changning District Shanghai PRC	Chinese
Mr. Su Ping (蘇平)	Room 202 No. 62, Baizanzhou Road Siming District Xiamen, Fujian PRC	Chinese
Ms. Xie Jieping (謝潔平)	Room 1103 No. 11 Huizhan North Lane Siming District Xiamen, Fujian PRC	Chinese

Independent Non-Executive Directors

Dr. Kang Junyong (康俊勇)	Room 601 No. 3-2, Tuqiang Road Siming District Xiamen, Fujian PRC	Chinese
Dr. Liao Yi (廖逸)	Flat F, 7/F Tower 5, Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
Dr. Su Xinlong (蘇新龍)	Room 101, No. 25 Xiada Haibin East Area Siming District Xiamen, Fujian PRC	Chinese

SUPERVISORS

Name	**Address**	**Nationality**
Mr. Li Kaixi (李凱希)	Room 1601, 3B Jindi Fengshang Xindian Town Xiang'an District Xiamen, Fujian PRC	Chinese
Mr. Qian Weining (錢衛寧)	Room 1804, No. 2 Xiangfu Qili Xiang'an District Xiamen, Fujian PRC	Chinese
Mr. Wu Guoyi (吳國屹)	Room 16G, No. 38 Caoxi North Road Xuhui District Shanghai PRC	Chinese

For further details on our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management" in this Document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED]

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

[REDACTED]

[**REDACTED**]

Legal Advisers to our Company

As to Hong Kong and U.S. laws

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3A Chater Road
Central
Hong Kong

As to PRC laws

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing
PRC

As to U.S. export control and sanctions laws

Pillsbury Winthrop Shaw Pittman LLP
1200 Seventeenth Street, NW
Washington, DC 20036
United States

Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and U.S. laws* **Latham & Watkins LLP** 18th Floor, One Exchange Square 8 Connaught Road, Central Hong Kong *As to PRC laws* **DeHeng Law Offices** 12th Floor, Tower B Focus Place No. 19 Finance Street Beijing PRC
Reporting Accountants and Auditor	**BDO Limited** *Certified Public Accountants* 6th Floor 61 East Nanjing Road New Huangpu Financial Tower Shanghai PRC 25th Floor, Wing On Centre 111 Connaught Road, Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center No. 88 Puji Road, Jing'an District Shanghai PRC
Compliance Adviser	**Rainbow Capital (HK) Limited** Office No. 710, 7/F Wing On House 71 Des Voeux Road Central Hong Kong

[REDACTED]

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Principal Place of Business in Hong Kong	Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**http://www.epiworld.com.cn/** *(information contained on this website does not form part of this Document)*
Company Secretary	**Ms. Wong Wai Yee, Ella** *(Chartered Secretary, Chartered Governance Professional and fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	**Dr. Zhao Jianhui (趙建輝)** Room 508 No. 198-1, East 2nd Road Tongxiang High-tech City Torch Hi-tech Zone Xiamen, Fujian PRC **Ms. Wong Wai Yee, Ella** Room 1915, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Dr. Su Xinlong (蘇新龍) *(Chairman)* Dr. Liao Yi (廖逸) Mr. Su Ping (蘇平)
Nomination Committee	Dr. Liao Yi (廖逸) *(Chairman)* Dr. Kang Junyong (康俊勇) Ms. Pan Menghan (潘夢菡)

Remuneration Committee	Dr. Kang Junyong (康俊勇) *(Chairman)* Dr. Liao Yi (廖逸) Dr. Su Xinlong (蘇新龍)
Strategy Committee	Dr. Zhao Jianhui (趙建輝) *(Chairman)* Dr. Kang Junyong (康俊勇) Dr. Su Xinlong (蘇新龍)

[**REDACTED**]

Principal Bank	**Industrial and Commercial Bank of China Limited, Xiamen Siming Branch** No. 270, Lujiang Road Siming District Xiamen, Fujian PRC

The information and statistics set out in this section and other sections of this Document were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us or any other parties involved in the* [**REDACTED**], *or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

INDUSTRY OVERVIEW OF GLOBAL POWER SEMICONDUCTOR DEVICES AND SIC POWER SEMICONDUCTOR DEVICES

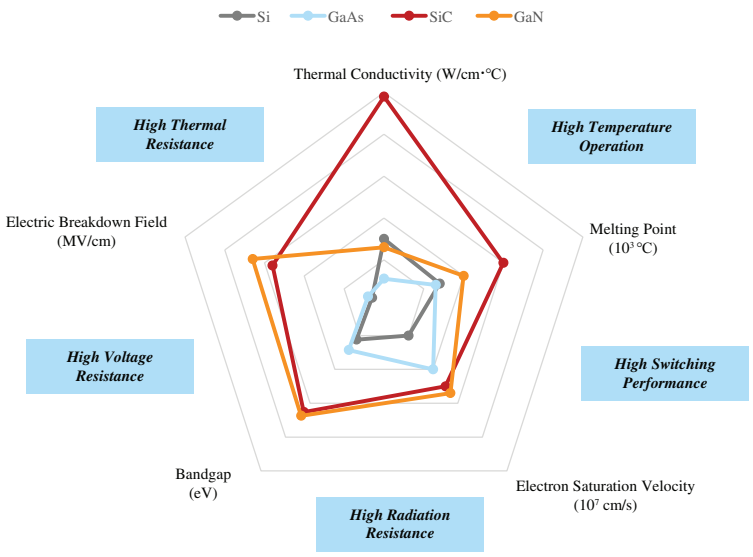
Overview of SiC Power Semiconductors

Power semiconductors, also known as power electronic devices, are essential components in electronic systems for electrical energy conversion and circuit control. They enable precise voltage and frequency modulation, as well as efficient conversion between AC and DC power. By regulating energy flow and ensuring system stability through inversion, conversion, power amplification, power switching, and circuit protection, these devices serve as the "heart" of power electronics.

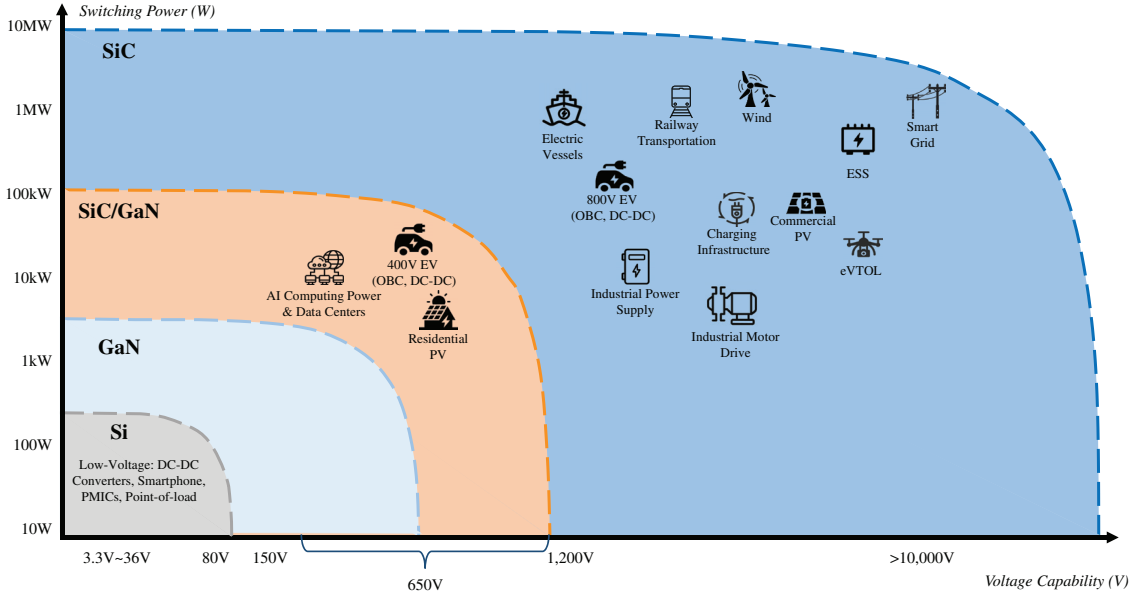
Based on materials used, power semiconductors are categorized into two primary types, the traditional silicon semiconductors and the wide-bandgap semiconductors. The former includes semiconductors formed by elements such as silicon (Si), while the latter consists of compounds like silicon carbide (SiC) and gallium nitride (GaN).

Traditional silicon semiconductor devices face inherent physical limitations that prevent them from meeting the high-performance requirements of emerging applications such as AI computing power and data centers, smart grids, and energy storage systems. In contrast, wide-bandgap semiconductors, represented by SiC and GaN, exhibit significant performance advantages from the material to the device level. SiC power semiconductor devices stand out with strong performance characteristics, including superior breakdown voltage, thermal conductivity, electron saturation velocity, and radiation resistance. Compared to GaN, SiC offers greater versatility in medium- and high-voltage applications, dominating the market for applications above 600V and boasting a larger market size. In recent years, SiC power semiconductor devices have become widely adopted in various industries and are expected to play a pivotal role in the ongoing transformation of the power semiconductor industry.

Comparative Analysis of Major Semiconductor Materials



Application Scenarios of SiC Power Semiconductors



Source: CIC

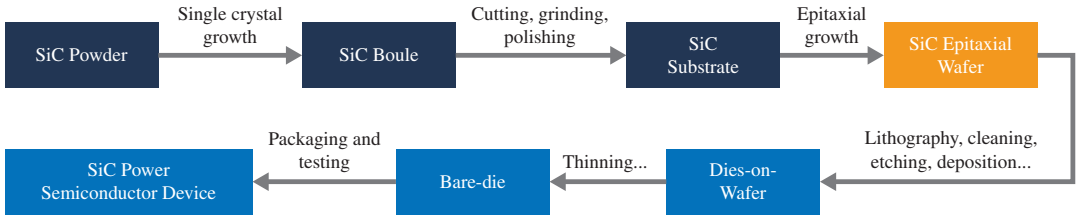
Silicon (Si) dominates low-voltage applications like DC-DC converters, smartphones, PMICs, and point-of-load systems due to its cost-effectiveness and reliability. It efficiently manages power conversion in consumer electronics and mobile devices. Gallium Nitride (GaN), with its high electron mobility, is increasingly used in AI computing, data centers, and 400V EVs, offering enhanced efficiency and performance in high-frequency, power-conversion applications. Silicon Carbide (SiC) is key to high-power, high-efficiency applications such as 800V EVs, industrial power supplies, charging infrastructure, industrial motor drives, and electric vessels. SiC's superior thermal and electrical properties also make it ideal for smart grids, which require high voltage handling and high switching power to manage complex energy flows, integrate renewable sources, and improve grid resilience. Its usage extends to sectors like railway transportation, wind energy, commercial PV, eVTOL, ESS, and more, where high voltage and thermal stability are critical.

Production Process of SiC Power Semiconductor Devices

SiC is currently the most mature wide-bandgap semiconductor material in terms of crystal growth technology and device manufacturing.

The production process of SiC power semiconductor devices involves the following steps. SiC powder undergoes crystal growth, cutting, grinding, and wafer polishing to produce SiC substrates, on which single-crystal epitaxial materials are subsequently grown. The wafers undergo a series of complex processes, including lithography, cleaning, etching, deposition, thinning, packaging, and testing, to eventually form SiC power semiconductor devices.

Production Process from SiC Raw Materials to SiC Power Semiconductor Devices



Source: CIC

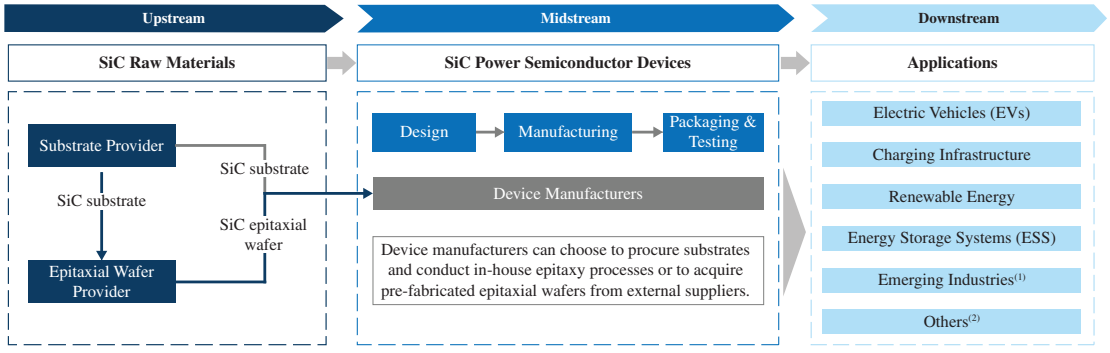
Industry Chain of SiC Power Semiconductor Device Industry

The upstream segment of the industry chain involves the preparation of SiC substrates and SiC epitaxial wafers. As the key material in the industry chain, the quality of SiC epitaxial wafers is crucial, and the value of the epitaxial layer manufacturing accounts for about 25% of the entire value chain of SiC power devices. Unlike traditional silicon power semiconductor devices, SiC power semiconductor devices cannot be directly fabricated on SiC substrates; instead, they require the deposition of high-quality epitaxial layers on the substrates. Due to the high technical barriers in producing high-quality SiC epitaxial wafers, their supply is relatively limited. With global demand for SiC power semiconductor devices continues to grow, high-quality epitaxial wafers will play an increasingly important role in the industry chain.

The midstream segment consists of SiC power semiconductor devices' design, manufacturing, packaging, and testing. SiC power semiconductor device manufacturers use SiC epitaxial wafers as the base material to fabricate SiC semiconductor devices through a complex manufacturing process. Device manufacturers are generally divided into three types: IDM, fabless, and foundry. IDM integrates the design, manufacturing, packaging and testing of SiC power semiconductors and other industrial chains. Fabless is only responsible for the design and sales of SiC power semiconductors, while foundry is only responsible for manufacturing, packaging and testing.

The downstream segment involves applications such as EVs, charging infrastructure, renewable energy, ESS, as well as emerging industries such as home appliances, AI computing power and data centers, smart grids, eVTOL.

Industry Chain of SiC Power Semiconductor Device Industry



Source: CIC

Notes:

(1) Emerging industries include home appliances, AI computing power and data centers, smart grids and eVTOL.

(2) Others include industrial power supply, UPS, railway transportation, etc.

Impact of Tariffs on the SiC Power Semiconductor Device Industry

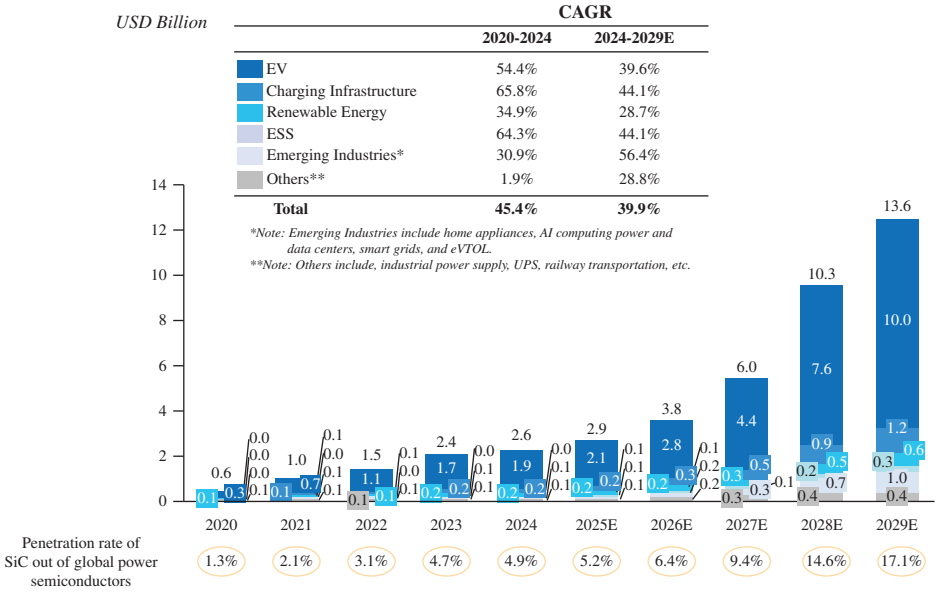
As of the Latest Practicable Date, many semiconductor products from China are subject to, at a minimum, a 80% tariff rate, inclusive of a 50% tariff under Section 301 of the Trade Act of 1974 (the "**Section 301 Tariff**"), a 20% Fentanyl-related tariff under the International Economic Emergency Powers Act ("**IEEPA**"), which was lowered to 10% as of November 1, 2025, and a 10% reciprocal tariff, also imposed pursuant to IEEPA. Both IEEPA-based tariffs were ruled unlawful as of February 20, 2026. For a detailed discussion of tariffs applicable to us and the related risks, see "Risk Factors — Risks Relating to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions" and "Regulatory Overview — Latest Outlook on U.S. Tariff." Nonetheless, even if the U.S. tariff on Chinese exports to the U.S. normalizes, Chinese power device manufacturers are well-positioned for global growth. Chinese power device manufacturers are closing the technology gap through continuous R&D investments, and obtain increasing market share in the global SiC power semiconductor device industry in recent years, gradually forming a self-sufficient supply pattern in the future. The continuously expanding market share of Chinese power device manufacturers within the global SiC power semiconductor device industry is fundamentally underpinned by the comprehensive competitive advantage built upon performance parity, synergistic ecosystem, inherent cost advantages, and high customer stickiness. Chinese SiC power device companies have, through multiple technological iterations, achieved international mainstream performance standards. Building on this, a synergistic promotional framework has been established in China among device manufacturers, end-user applications, and government policy. Device manufacturers deliver cost-effective products, while end-users in sectors such as NEVs actively conduct domestic adaptation and validation. This is further accelerated by government support through policy guidance and resource allocation, significantly speeding up the adoption of domestic SiC power chip applications. Enhanced synergies across all segments of the industry effectively amortize costs across the entire chain, from upstream substrate preparation to midstream device manufacturing and downstream packaging and testing, including production, logistics, and supporting services, offering lower prices for equivalent performance in the global market and enabling the cultivation of customer stickiness.

Market Size of Global SiC Power Semiconductor Device Industry

The global SiC power semiconductor device market has grown remarkably from 2020 to 2024, with sales value increasing from US$0.6 billion in 2020 to US$2.6 billion in 2024 at a CAGR of 45.4%. By 2029, the global sales value of the SiC power semiconductor device industry is projected to reach US$13.6 billion, with a CAGR of 39.9% from 2024 to 2029. The penetration rate of global SiC power semiconductor devices out of the global power semiconductor market increased from 1.3% in 2020 to 4.9% in 2024, and is expected to reach 17.1% by 2029.

SiC power semiconductor devices are widely used in EVs, charging infrastructure, renewable energy, ESS and emerging industries. The EVs sector represents the most extensive application within this group. In 2024, SiC power semiconductor devices used in EVs accounted for 74.4% of the global market. The charging infrastructure sector followed, with a market share of 7.8% in 2024. The renewable energy and ESS sectors also show growth momentum, with expected CAGRs of 28.7% and 44.1% between 2024 and 2029, respectively. Emerging industries are expected to grow SiC power semiconductor device value at a CAGR of 56.4% from 2024 to 2029.

Market Size of Global SiC Power Semiconductor Device Industry, in Terms of Sales Value, by Application Area, 2020-2029E



Source: MarkLines, CAAM, CCPA, CPIA, BNEF, InfoLink, Omdia, Yole, CIC

Market Drivers of Global SiC Power Semiconductor Device Industry

Driven by the rapid development of downstream applications and the continuous pursuit of higher performance and energy-efficient power devices, the penetration rate of global SiC power semiconductor devices is expected to increase significantly, fueling rapid market growth. The following are key downstream drivers:

- **Application in Electric Vehicles (EVs):** With increasing battery capacity, driving range, declining costs, maturation and convenience of charging infrastructure, and growing consumer environmental awareness, the penetration rate of EVs is expected to continue rising. Global EV sales are projected to reach 48.1 million by 2029, with a CAGR of 21.2% from 2024 to 2029. More specifically, China, as the largest segmented market, has witnessed a rapid growth of EV market, increasing from 3.3 million to 12.6 million, with a CAGR of 79.8% from 2024 to 2029. The EV penetration rate in China reached 44.4% in 2024 and is expected to reach 82.0% in 2029, facilitating a continued growth of SiC power device market. Compared to silicon power semiconductor devices, SiC power semiconductor devices offer significant advantages, including lower conduction resistance, smaller chip size, higher operating frequency, and superior high-temperature tolerance. The upgrade of high-voltage architecture to 800V and above further accelerates of penetration of SiC power devices. For example, SiC MOSFET and Si MOSFET of the same specifications show that the former reduces the conduction resistance to 1/100 of the latter, decreases the size to 1/10, and extends the driving range of electric vehicles by 5-10%. As a result, they are widely used in key components such as power converters, main drive inverters, onboard chargers, battery chargers, bidirectional DC/DC converters (high voltage), and motor drives.

- **Application in Charging Infrastructure:** With the accelerated advancement of global charging infrastructure, particularly the widespread adoption and upgrading of fast and ultra-fast chargers, the penetration rate of SiC power semiconductor devices in the charging sector is expected to continue rising. As EV electrical systems transition from

400V to 800V architectures, the power level and power density of power modules of chargers are also increasing to 40kW/50kW and above to meet the demands of higher-voltage EVs. Compared to traditional silicon power semiconductor devices, SiC power semiconductor devices can enhance the output power of chargers by nearly 30% and reduce power losses by approximately 50%. Additionally, the significantly lower on-resistance of SiC materials ensures that chargers can provide a wider and higher output voltage range, catering to the charging needs of various EV battery types. With anticipated cost reductions, the global penetration rate of SiC in the charging infrastructure sector is projected to reach over 30% by 2029.

- **Application in Renewable Energy:** SiC power semiconductor devices are used in photovoltaic system components such as microinverters and DC/DC converters, significantly improving system performance by enhancing energy conversion efficiency and reducing energy loss. Global photovoltaic newly installed capacity is expected to grow at a CAGR of 15.4% from 2024 to 2029. This will drive the sales value of SiC power semiconductor devices in this sector to grow at a CAGR of 28.7% from 2024 to 2029.

- **Application in Energy Storage Systems (ESS):** SiC technology has led the advancement of energy storage converters toward higher capacity and modular designs. With the rising global demand for ESS from industrial, commercial, and residential users, energy storage batteries have become one of the most vital components of power systems. New installed capacity for global electrochemical energy storage is projected to grow at a CAGR of 33.4% from 2024 to 2029, propelling the expansion of the SiC power semiconductor device market.

- **Application in Emerging Industries:** In AI computing power and data centers, SiC power semiconductor devices have higher energy conversion efficiency than traditional silicon power semiconductor devices under the same output power conditions, allowing data center to reduce the number of power modules and lowering operational costs. From 2024 to 2029, the global computing power capacity is expected to grow at a CAGR of 65.0%, and global electricity consumption of data centers is projected to exceed 2,676 TWh by 2029. In smart grids, SiC technology is essential for advancing solid-state transformers and flexible AC/DC transmission systems, due to its superior thermal management and electronic properties enhancing grid efficiency and stability. It is projected that from 2024 to 2029, the sales value of SiC power semiconductor devices in the smart grid sector will grow at a CAGR of 51.0%. SiC power semiconductor devices also hold significant potential in home appliances. The high efficiency and compact size of these devices enable energy savings and improved performance in home appliances, aligning with global trends toward energy efficiency and sustainability. In the case of eVTOL, SiC's high thermal stability and power density support lightweight, reliable powertrains and extended flight durations.

Market Trends of Global SiC Power Semiconductor Device Industry

- **Increasing Penetration in Existing Fields and Expansion into Emerging Applications.** With advancements in manufacturing technology and cost reductions, the global demand for SiC power semiconductor devices continues to grow, and their application scenario is expanding rapidly. On one hand, SiC power semiconductor devices are accelerating their penetration into application scenarios such as EVs, charging infrastructure, renewable energy, and ESS. In the EVs sector, SiC devices significantly enhance the efficiency of motor drive systems, extend vehicle mileage range, and reduce charging time. In the renewable energy and ESS sector, the high energy conversion efficiency of SiC devices reduces system losses and improves the overall efficiency of photovoltaic power generation and energy storage systems. On the other hand, as the cost of SiC power semiconductor devices decreases and the

performance improves, SiC power semiconductor devices also hold immense potential in emerging applications such as home appliances, AI computing power and data centers, smart grids, and low-altitude economy applications.

- **Technological Advancements Broaden the Voltage Range of Applications.** SiC power semiconductor devices have been used in the medium-low voltage (600V to 1,700V) fields and some low voltage applications, such as home appliances, as well. In the future, with the improvement of cost-effectiveness and the advancement of SiC material technology, SiC power semiconductors are expected to realize widespread use in low-voltage applications and expand to medium-high voltage and ultra-high voltage applications. For example, traditional power grids are transitioning toward smart grids. Power electronic transformers (PET), as core components of smart grids, also demand ultra-high voltage and high-power devices.

Competitive Overview of Global Semiconductor Providers

The extensive global market of semiconductors is concentrated, with top 10 providers obtaining over 70% of the market share. Currently, traditional silicon materials still dominate while emerging materials such as SiC gradually earning their market presence. As an enterprise focus on the next-generation materials, we obtained approximately 0.1% of the total semiconductor market share in 2024, according to CIC.

INDUSTRY OVERVIEW OF GLOBAL SIC EPITAXIAL WAFERS

Definition of SiC Epitaxial Wafers

SiC epitaxial wafers are single-crystal SiC thin films grown on the substrate surface, with their doping type, doping concentration, and thickness can be precisely controlled to meet the design requirements of the devices.

Since single-crystal substrates prepared by the sublimation method cannot achieve precise control over doping concentration and effectively reduce crystal defects, it is necessary to grow a high-quality epitaxial layer on the substrate for device fabrication. Therefore, epitaxial growth technology is essential in the production of SiC devices, and the quality of the epitaxial layer drastically impacts device performance.

Business Model for SiC Epitaxial Wafer Manufacturers

Depending on whether SiC epitaxial wafer manufacturers procure substrate materials themselves or not, their business model can be divided into two types:

- ***Turnkey:*** SiC epitaxial wafer manufacturers purchase substrates based on customer order requirements, create the product, and deliver epitaxial wafer products. The price and payment settlement are determined based on the full cost, including substrates and other raw materials.

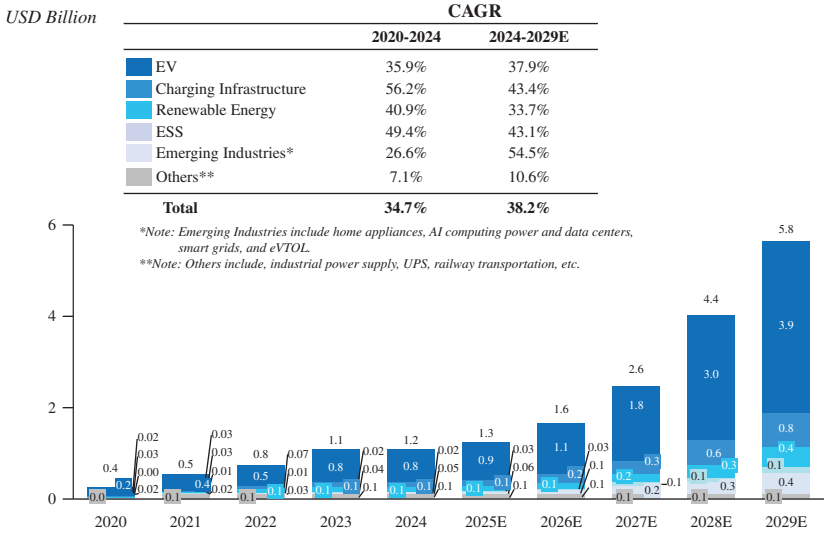
- ***Consign:*** The customer provides the substrate materials, while the SiC epitaxial wafer manufacturers procure other auxiliary materials. After completing production and delivering the products, the manufacturers charge the customer for epitaxial wafer foundry services.

Market Size of Global SiC Epitaxial Wafer Industry

The sales value of the global SiC epitaxial wafer market has grown from US$0.4 billion in 2020 to US$1.2 billion in 2024, with a CAGR of 34.7%. By 2029, the market size is expected to reach US$5.8 billion, with a CAGR of 38.2% from 2024 to 2029.

EVs are the largest application area for SiC epitaxial wafers. By 2029, the global sales value of SiC epitaxial wafers used in EVs is projected to reach US$3.9 billion, with a CAGR of 37.9% from 2024 to 2029. Charging infrastructure is expected to grow at a CAGR of 43.4% from 2024 to 2029 in terms of SiC power semiconductor device sales value. The renewable energy and ESS sectors also show strong momentum, with CAGRs in the forecasted period reaching 33.7% and 43.1%, respectively. Emerging industries have high growth potential, and global sales value from SiC epitaxial wafers for them is expected to grow at a CAGR of 54.5%.

Market Size of Global SiC Epitaxial Wafer Industry(1), in Terms of Sales Value, by Application Area, 2020-2029E



Source: MarkLines, CAAM, CCPA, CPIA, BNEF, InfoLink, Omdia, Yole, CIC

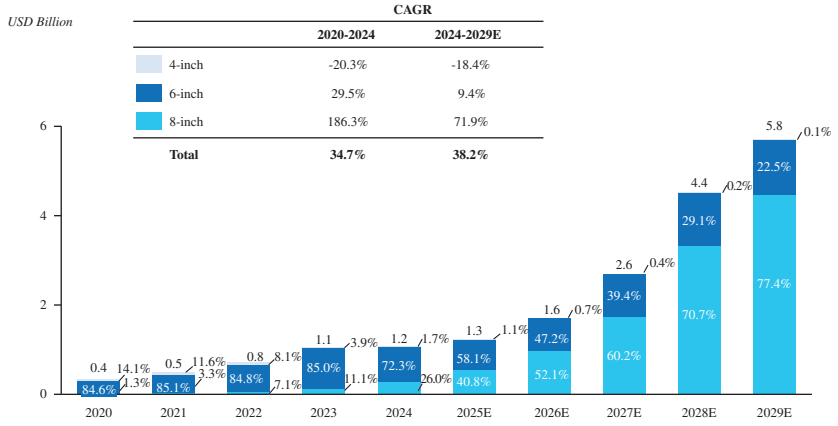
Note:

(1) The market size accounts for epitaxial wafers traded in both open market and captive market. Captive market refers to device manufacturers with epitaxial wafer production capabilities manufacturing epitaxial wafers for internal use.

The global SiC epitaxial wafer market has seen significant changes, especially in the sales value generated by 6-inch epitaxial wafers. From 2020 to 2024, the sales value generated by 6-inch epitaxial wafers has increased from US$0.3 billion to US$0.8 billion, with a CAGR of 29.5%. It is expected to further increase to US$1.3 billion by 2029, with a CAGR of 9.4% from 2024 to 2029. Conversely, the sales value generated by 4-inch epitaxial wafers has experienced a decline with the popularity of 6-inch epitaxial wafers, decreasing from US$49.6 million in 2020 to US$20.0 million in 2024 and further to an expected US$7.2 million by 2029.

With the maturation of technology and continuous cost reductions, the penetration rate of 8-inch SiC epitaxial wafer will increase substantially. By 2029, the sales value generated by 8-inch epitaxial wafers is expected to reach US$4.5 billion, with a CAGR of 71.9% from 2024 to 2029.

Market Size of Global SiC Epitaxial Wafer Industry(1), in Terms of Sales Value, by Wafer Size, 2020-2029E



Source: Omdia, Yole, CIC

Note:

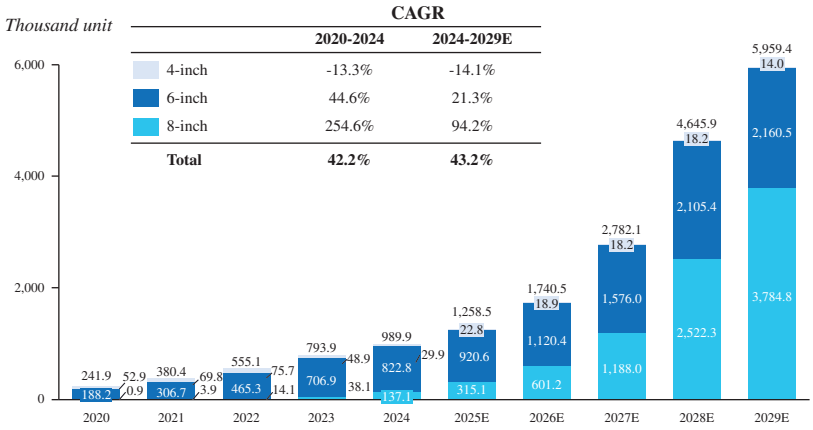
(1) The market size accounts for epitaxial wafers traded in both open market and captive market. Captive market refers to device manufacturers with epitaxial wafer production capabilities manufacturing epitaxial wafers for internal use.

From 2020 to 2024, the sales volume of global SiC epitaxial wafers has increased from 241.9 thousand pieces to 989.9 thousand pieces. Driven by technological advancements and efficiency benefits, the sales volume of global SiC epitaxial wafers is expected to further increase to 5,959.4 thousand pieces by 2029.

The sales volume of 6-inch SiC epitaxial wafers has increased to 822.8 thousand pieces in 2024, with a CAGR of 44.6% from 2020 to 2024. It is expected that by 2029, the sales volume of 6-inch SiC epitaxial wafers will reach 2,160.5 thousand pieces, with a CAGR of 21.3% from 2024 to 2029. On the other hand, the sales volume of 4-inch SiC epitaxial wafers dropped to 29.9 thousand pieces in 2024, and it is forecasted to shrink to 14.0 thousand pieces by 2029.

As the technology matures further, the commercialization of 8-inch SiC epitaxial wafers is accelerating. The sales volume of 8-inch SiC epitaxial wafers has exhibited the most remarkable growth, increasing from only 0.9 thousand pieces in 2020 to 137.1 thousand pieces in 2024, with a CAGR of 254.6%. By 2029, it is expected to increase to 3,784.8 thousand pieces, with a CAGR of 94.2% from 2024 to 2029.

Market Size of Global SiC Epitaxial Wafer Industry[(1)], in Terms of Sales Volume, by Wafer Size, 2020-2029E



Source: Omdia, Yole, CIC

Note:

(1) The market size accounts for epitaxial wafers traded in both open market and captive market. Captive market refers to device manufacturers with epitaxial wafer production capabilities manufacturing epitaxial wafers for internal use.

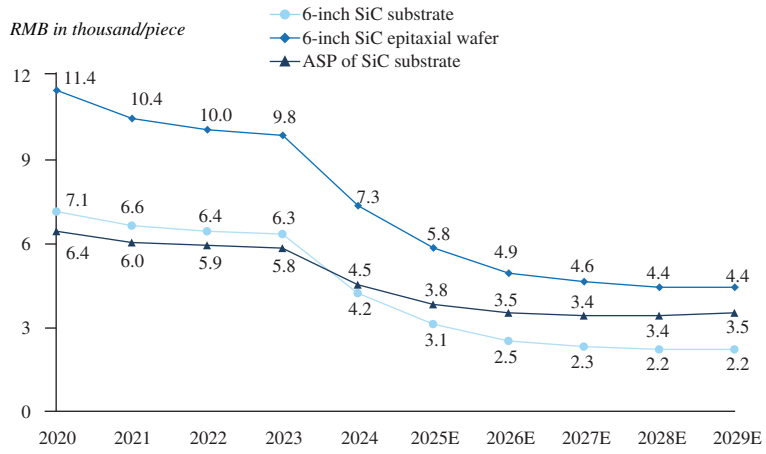
Price Trends of Global SiC Epitaxial Wafer Industry

The price of global SiC epitaxial wafers declined between 2020 and 2024 due to decreasing cost of raw materials, cost optimization due to mass production capability of 6-inch SiC wafer and expanded production capacity. With the accelerated iteration of SiC epitaxial wafer products and rises in demand due to the swift development of downstream applications, the price decline for SiC epitaxial wafers of the same size is expected to narrow gradually. More specifically, the price of 6-inch epitaxial wafers is expected to stabilize in 2026 and the expanded production capacity mainly focus on 8-inch SiC epitaxial wafer in recent years, which will not lead to oversupply due to the limited production capacity at present and the increasing downstream demand for 8-inch SiC products with advanced technology. The 8-inch SiC products were first introduced in NEV sector and is expected to expand to other industries.

The price of 6-inch SiC epitaxial wafer was approximately RMB7.3 thousand per piece in 2024 and is expected to drop to RMB4.4 thousand per piece in 2029, mainly due to price reduction of SiC substrate.

With the ongoing advancements in the substrate supply chain, domestic manufacturers are now capable of providing alternatives to imported substrates. The increased supply, cost advantages of domestically manufactured substrates and technological developments in producing more cost-effective substrates have collectively contributed to a decline in raw material prices. The global average selling price of SiC substrates has shown a consistent decline from RMB6.4 thousand in 2020 to RMB4.5 thousand in 2024, reflecting improved production efficiencies and increasing market competition. The downward trend is expected to continue in the future with the initial application of 8-inch SiC wafer. The average selling price of SiC substrate is expected to have a slight increase due to the substrate iteration from 6-inch to 8-inch. To mitigate the decline in the price of SiC epitaxial wafers across the industry, our Company intends to upgrade our capacity, maintain and stabilize our price level by providing high-quality epitaxial wafers to high-end industry applications. Furthermore, leveraging our large production scale, we are able to maintain our costs at a competitive level and flexibly adjust our pricing strategy to grow our market share.

Global SiC Epitaxial Wafers Price Trends in the Open Market[(1)], 2020-2029E



Source: Omdia, CIC

Market Drivers of Global SiC Epitaxial Wafer Industry

- **Increasing Downstream Application Demands.** With the global push towards renewable energy and electrification, SiC power semiconductor devices are becoming crucial for enabling high-efficiency systems due to their superior thermal performance, high breakdown voltages, low energy consumption during switching, and ability to boost overall system efficiency. Key industries such as EVs, renewable energy and ESS are increasingly adopting SiC power semiconductor devices to meet higher demands for performance and energy efficiency where China plays a significant role, accounting for over 70% of global EV unit sales and charging infrastructure shipments, and over 90% of photovoltaic production capacity in the global market in 2024. Such strong vertical market presence inherently buffers Chinese SiC epitaxial suppliers against global tariff fluctuations. Furthermore, the expansion into emerging application areas, such as home appliances, AI arithmetic and data centers, smart grids, and eVTOL, is driving the growth of the SiC power semiconductor devices market. The global SiC power semiconductor devices market is expected to continue growing rapidly at a CAGR of 39.9% from 2024 to 2029. SiC epitaxial wafers, as core materials, will see their demand grow in direct response to the increasing market demand for high-performance SiC power semiconductor devices.

- **Technological Advancements and Manufacturing Expansion.** Innovations in epitaxial growth techniques, defect reduction, and uniformity improvement are improving the quality and yield of SiC epitaxial wafers, making them more cost-effective and reliable. With the maturation of 6-inch SiC epitaxial wafer manufacturing processes and the reduction in production costs, along with breakthroughs in 8-inch SiC epitaxial wafer mass production and the acceleration of their commercialization, the market size of SiC epitaxial wafers is experiencing rapid growth.

- **Supportive Government Policies.** Favorable policies, laws and regulations supporting the development of the SiC epitaxial wafer industry have been continuously issued by governments worldwide. In September 2023, the European Union enacted the European Chip Act, investing over 43 billion euros to boost the European semiconductor industry. The U.S. also issued the CHIPS and Science Act in 2022, enhancing the R&D and manufacturing capability through tax preference and fiscal subsidy. Meanwhile, the government of China has launched a series of favorable policies as well. In July and August 2023, the Ministry of Industry and Information Technology issued the *Implementation Opinions on Reliability Improvement of Manufacturing Industry and Action Program for Stable Growth in the*

Electronic Information Manufacturing Industry for 2023-2024, which emphasized the need to establish industry standards and enhance the reliability of wide-bandgap power semiconductor devices, including SiC power semiconductor devices. In February 2023, the State Council of the People's Republic of China released the *Outline for Building a Quality-Strong Country*, explicitly advocating for the development of domestic material quality, stability, and applicability through technological research and development. SiC epitaxial wafers, as the key material of broadband semiconductors, fall under national industry policy and receive funding to support their development in key areas.

Market Trends of Global SiC Epitaxial Wafer Industry

- **Enhanced Specialization in Epitaxial Wafer Manufacturing.** The SiC epitaxial wafer market is seeing a growing number of foundries focusing exclusively on epitaxial wafer manufacturing. Similar to tradition silicon industry, which has formed clear division of labor after years of consolidation, the trend towards a highly specialized division of labor is driven by the need for high-quality, application-specific wafers tailored to the requirements of downstream industries. Chinese suppliers hold a significant 30% market share of the global SiC substrate market, with other major SiC substrate suppliers located in Korea and the U.S. This diversified upstream supply chain effectively protects the epitaxial market from potential tariff fluctuations. Specialized foundries can provide high quality products through value chain collaboration to satisfy various demand of downstream applications.

- **The Development of 8-inch SiC Epitaxial Technology is Accelerating.** For chips of the same specifications, larger wafers reduce the proportion of edge chips and increase the number of bare dies produced per wafer, significantly improving wafer utilization and lowering the unit cost of chips. Taking a die with a size of 32 square millimeters as an example, expanding the SiC epitaxial wafer from 6-inch to 8-inch can increase the wafer area by 1.8 times, reduce the edge die ratio from 14% to 7%, and boost the number of bare dies by 90%. Due to the mature production processes and lower costs, 6-inch SiC epitaxial wafers will continue to have an increasing demand and hold an important position in a medium-to-long period. As the manufacturing processes for 8-inch SiC epitaxial wafers mature and quality improve, their adoption is expected to accelerate.

- **Expanding to Wider Voltage Range Applications.** With the increasing demand for high-power, high-voltage SiC power semiconductor devices in fields such as smart grids, rail transportation, and large-scale energy storage systems, the application scenarios for SiC epitaxial wafers are expanding into medium-high voltage and ultra-high voltage domains. Meanwhile, some low-voltage applications, such as home appliances, have transferred to use SiC for higher efficiency. In the future, SiC epitaxial wafers will increasingly focus on meeting the requirements of these devices, driving their adoption in wider voltage range applications.

- **Rapid Development of Innovative Epitaxy Growth Technologies.** The continuous improvement of epitaxy growth technology ensures to follow the pace with the changes of demand in various downstream applications, including higher performance requirement and more product types. SiC superjunction devices are the next-generation high-performance power devices. Trench filling epitaxial technology is a critical manufacturing process for the super junction devices. This technique involves etching trenches and refilling trenches using epitaxial process, and will promote the R&D and industrialization process of SiC superjunction devices. In addition, composite substrate may be the one of the low-cost solutions for SiC power devices in the future, so the development of epitaxial technology suitable for composite substrates are of great importance for the commercial promotion of composite substrates. This technology will reduce the cost of SiC power devices and expand the market application of SiC power devices.

- **Declining Unit Production Costs.** Driven by technology advancements, economies of scale and supply chain optimization, the unit production cost keeps declining. The technology advancements, especially defect control technology, enhanced the yield rates and production efficiency. Meanwhile, the maturation of the supply chain has led to a reduction in the prices of raw materials and equipment. Combined with the benefits of economies of scale, the unit production cost further decreases.

COMPETITIVE OVERVIEW OF GLOBAL SIC EPITAXIAL WAFER PROVIDERS

Competitive Landscape of Global SiC epitaxial wafer providers and SiC Epitaxial Foundries

SiC epitaxial wafer providers in the open market can be categorized into two groups, epitaxial foundries and device manufacturers with in-house epitaxy production capability. Epitaxial foundries focus on providing SiC epitaxial wafer and are not involved in SiC power device manufacturing, having more capital investment on SiC epitaxial wafer and accounting for 72.7% of the SiC epitaxial wafer open market. While device manufacturers with in-house epitaxy production capability are able to manufacture both wafers and devices. Both epitaxial foundries and device manufacturers with in-house epitaxy production capability in the SiC industry should continuously engage in research and innovation and accumulate extensive know-how to meet the diverse demands of downstream customers.

The Company is a global leader among SiC epitaxial foundries and has established a strong footprint in the global market (including China), where the Company obtained 31.6% and 29.2% of the global market share in terms of sales volume and revenue, respectively, ranking first worldwide in 2024, according to CIC. Meanwhile, the Company's sales in the China domestic market amounted to revenue of RMB0.2 billion in 2024, ranking third in terms of SiC epitaxial wafer revenues generated in China, according to CIC. The ranking of the top five global SiC epitaxial foundries in open market is presented in the table below:

Ranking of Top Five Global SiC Epitaxial Foundries, in Terms of Sales Volume in open market, 2024[(1)]

Ranking	Company Name	SiC Epitaxial Wafer Sales Volume[(2)]	Market Share
		(6-inch equivalent, in thousand)	
1	**The Company**	**170**	**31.6%**
2	Company A	105	19.4%
3	Company B	96	17.8%
4	Company C	83	15.4%
5	Company D	37	6.9%

Source: Expert interviews, Annual reports, CIC

Notes:

(1) The market total of the ranking is the sum of the sales volume of SiC epitaxial foundries.

Company A, established in 1939, headquartered in Tokyo, Japan and listed on the Tokyo Stock Exchange (TYO: 4004), specializes in advanced semiconductor materials, electronic components, and high-performance chemicals.

Company B, established in 2000, headquartered in Hebei, China, is a private company specializing in research and production of SiC epitaxial wafers, with products covering multiple specifications and models of SiC epitaxial wafers and GaN epitaxial wafers.

Company C, established in 2009, headquartered in Guangdong, China, is a private company specializing in the R&D, and production of SiC semiconductor materials, with applications covering PV, EVs, charging stations, energy storage, and rail transit.

Company D, established in 2019, headquartered in Zhejiang, China, is a sub-subsidiary of a state-owned company which holds 19 listed subsidiaries, specializing in developing and manufacturing SiC materials and GaN epitaxial wafers.

(2) The sales volume of SiC epitaxial foundries has been converted to 6-inch equivalent and includes both Turnkey and Consign models, excluding those for internal use. The conversion rate to 6-inch equivalent is based on the volume of dies cut from an SiC epitaxial wafer. More specifically, an 8- inch SiC epitaxial wafer is equivalent to approximately 1.8 pieces of 6-inch SiC epitaxial wafer.

Ranking of Top Five Global SiC Epitaxial Foundries in terms of revenues in open market, 2024

Ranking	Company Name	SiC Epiwafer Revenue	Market Share
		(in billions of RMB)	
1	**The Company**	**1.0**	**29.2%**
2	Company A	0.9	26.3%
3	Company C	0.6	17.5%
4	Company B	0.5	14.6%
5	Company D	0.2	5.8%

Source: Expert interviews, Annual reports, CIC

Ranking of Top Five Global SiC Expitaxial Foundries, in terms of revenues in open market in China, 2024

Ranking	Company Name	SiC Epiwafer Revenue	Market share
		(in billions of RMB)	*(%)*
1	Company C	0.6	36.8%
2	Company B	0.4	24.5%
3	**The Company**	**0.2**	**12.7%**
4	Company D	0.2	12.3%
5	Company E	0.1	6.1%

Source: Expert interviews, Annual reports, CIC

Note: Company E, established in 2019, headquartered in Jiangsu, is a private company providing various semiconductor epitaxial foundry services.

Entry Barriers and Key Success Factors in the Global SiC Epitaxial Wafer Industry

- **Advanced Technological Capabilities.** Companies in the global SiC epitaxial wafer industry must possess advanced technological expertise, including defect control technology, uniformity control technology, etc., which enables them to produce innovative products to meet various demand of downstream applications. For new entrants, achieving such a level of technological proficiency requires substantial and continuous investment in research and development, thereby forming a significant technological barrier to entry.

- **Advantages in Large-Size and Mass Production Capacity.** Producing in large sizes and large-scale helps secure economies of scale, improve production efficiencies, and lower per-unit costs. This robust production capacity creates a formidable barrier to entry for new market entrants, as it demands stringent production control and substantial investment in manufacturing infrastructure.

- **Extensive Industry Experience and Knowledge Accumulation.** SiC epitaxial wafer manufacturing is a technology-intensive process, requiring long-term R&D and experimentation to obtain industry know-how. Deep-rooted industry experience enables companies to foresee market trends, optimize production processes, and mitigate risks effectively. This expertise is invaluable for driving continuous improvement and innovation.

- **Solid Customer Base and Collaborative Supply Chain:** Through long-term cooperation with leading global customers, SiC epitaxial foundries can accumulate rich industry experience and deep insight into future trends in downstream industries, satisfying the differentiated needs. The high cost to switch suppliers, including product evaluation, testing and certification, has created a strong customer stickiness. Especially for application areas with strict requirements, such as EV, etc., the verification process may take several years, forming an invisible customer barrier as well.

- **Assurance of High-quality Products.** Achieving high-quality and high-consistency products helps companies obtain a competitive edge, especially for automotive-grade wafers. To ensure consistent high-quality SiC epitaxial wafer products, businesses must obtain industry know-how and strictly enforce quality management processes.

- **Significant Capital Investment in Production and R&D.** The SiC epitaxial wafer industry is capital-intensive, demanding substantial upfront investments for large-scale production facility construction. To achieve cost advantages and enhance market competitiveness, companies must allocate significant capital for upgrading production lines from 6-inch to 8-inch wafers. Meanwhile, continuous R&D investment is essential to advance epitaxial growth technologies, such as reducing defect densities and improving uniformity.

SOURCES AND RELIABILITY OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaged in the provision of professional consulting services across multiple industries, to conduct an analysis and report of the global and China's SiC power semiconductor device industries and epitaxial wafer industries market. We have agreed to pay a fee of RMB0.6 million to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this Document to provide our potential [**REDACTED**] with a more comprehensive understanding of the industry in which we operate. Except as otherwise stated, all data and forecasts in this section come from the CIC Report.

The information and data collected by CIC have been analyzed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources and various industry associations.

The market forecasts in the CIC Report are based on the following key assumptions: (1) the global social, economic environment is expected to remain stable during the forecast period; (2) related key industry-driving factors are likely to continue to drive the growth of the global and China's SiC power semiconductor device industries and epitaxial wafer industries market, such as technological advancements, supporting policies and increasing downstream demand, during the forecast period and (3) there will be no extreme force majeure or unforeseen industry regulations during the forecast period, which may have a drastic or fundamental impact on the market.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries, there is no material and adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information in this section.

*Information disclosed in this section is relevant PRC laws and regulations (the "**PRC Laws**") in effect which have a significant impact on the operation of our Group in the PRC as of the date of this Document, which are subject to change in the future, but it does not include a detailed analysis of PRC Laws related to our business activities and operations in the PRC, or serve as all PRC Laws applicable to our operations in the PRC.*

LAWS AND REGULATIONS RELATING TO COMPANY AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") on December 29, 1993, last amended on December 29, 2023 and implemented on July 1, 2024. Foreign invested entities are also subject to the Company Law unless otherwise provided by the Foreign Investment Laws (as defined below). The Company Law generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign invested companies in form of limited liability company or joint stock limited company.

Foreign invested entities in the PRC are also subject to the foreign investment laws and regulations including the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which was promulgated by the NPC and became effective on January 1, 2020, and the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which were promulgated by the State Council on December 26, 2019, and became effective on January 1, 2020. According to the Foreign Investment Law, the PRC adopts a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended, or released upon approval by the State Council, from time to time.

On September 6, 2024, the NDRC and the MOFCOM jointly issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**"), which came into effect on November 1, 2024. The Negative List uniformly sets forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment for both domestic and foreign investment. As of the Latest Practicable Date, our business does not fall within the scope of the Negative List.

On October 26, 2022, the MOFCOM and the NDRC promulgated the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging Catalog**"), which came into effect on January 1, 2023. The Encouraging Catalog lists the industries that encourage foreign investment.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was jointly promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and became effective on January 1, 2020, where a foreign investor carries out investment activities in PRC directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information in a timely manner to the competent commerce department.

LAWS AND REGULATIONS RELATING TO CUSTOMS

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, last amended and implemented on April 29, 2021, unless otherwise provided for, the declaration of imported or exported goods may be made by the consignors or consignees, or the entrusted customs declaration enterprises. The consignee of imported goods and the consignor of exported goods shall make an accurate declaration and submit the import or export license and relevant papers to the Customs office for examination.

Pursuant to the Administrative Provisions on Record-Filing 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 (the "**GAC**") on November 19, 2021 and effective on January 1, 2022, the consignees or consignors of imported or exported goods as well as the customs declaration enterprises engaged in customs declaration shall carry out the record-filing procedures with the relevant customs administrative department.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and last amended on December 30, 2022 and the Notice by the Department of Enterprise Management and Audit-Based Control of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) issued by the GAC on January 3, 2023, a consignee or consignor of imported or exported goods who applies for filing shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

LAWS AND REGULATIONS RELATING TO INTERNATIONAL TRADE AND INVESTMENT

In recent years, the United States has expanded sanctions and export controls restrictions on China through the Export Administration Regulations (the "EAR"), administered by the Bureau of Industry and Security of the United States Department of Commerce (the "BIS"). In addition to the United States, some other governments, including the Netherlands, are also imposing controls, licensing requirements and restrictions applicable to exports to China. These types of restrictions could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our products. Moreover, in August 2022, the United States enacted the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the "CHIPS Act"). The CHIPS Act aims to strengthen U.S. domestic semiconductor manufacturing, design and research, fortify the economy and national security, and to help the United States compete economically against China.

With respect to U.S. export controls, in October 2022, BIS issued an interim final rule (the "BIS October 2022 IFR") aimed at restricting China's ability to obtain advanced computing integrated circuits, develop and maintain supercomputers, and manufacture advanced semiconductors. In October 2023, BIS issued another interim final rule (the "BIS October 2023 IFR") that updated and expanded U.S. export controls imposed by the BIS October 2022 IFR (collectively, the "BIS 2022/23 IFRs"). Among other measures, the BIS 2022/23 IFRs add to the Commerce Control List (which is a list of commodities, software, and technologies that are subject to the EAR's more restrictive controls) certain advanced and high-performance computing integrated circuits and computer commodities that contain these integrated circuits, and impose new or expanded license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced node integrated circuits and advanced, or semiconductor manufacturing equipment in certain jurisdictions, including China.

In addition to the restrictions introduced by the BIS 2022/23 IFRs, BIS maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of

legal persons. Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met. The United States in recent years has placed an increasing number of entities, including a number of entities in China, on the Entity List and other restricted or prohibited parties lists. For impact on the SiC power semiconductor device industry chain, see "Industry Overview — Industry Overview of Global Power Semiconductor Devices and SiC Power Semiconductor Devices — Industry Chain of SiC Power Semiconductor Device Industry."

On August 9, 2023, the Biden administration released an executive order and an advanced notice of proposed rule-making (the "ANPRM") providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau. Further to this ANPRM, on June 21, 2024, the U.S. Department of the Treasury issued a proposed rule on outbound U.S. investments involving China that generally follows the ANPRM. On October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement the executive order of August 9, 2023 (the "Final Rule"). The Final Rule is effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "Covered Foreign Persons." U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "covered transactions," and include acquisitions of equity interests that are not yet offer, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities. The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us.

LAWS AND REGULATIONS RELATING TO FIRE SECURITY

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998, last amended and implemented on April 29, 2021, for special construction projects stipulated by the Ministry of Housing and Urban-Rural Development of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated on April 1, 2020 and amended on August 21, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant 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 promulgated by SCNPC on December 26, 1989, amended on April 24, 2014 and became effective on January 1, 2015, enterprises, institutions and other manufacturing operators shall prevent and reduce environmental pollution and ecological damage, and shall be liable for damages caused by them pursuant to the law. According to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

Environment Impact Assessment

On October 28, 2002, the SCNPC promulgated the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) (the "**Environmental Impact Assessment Law**"), which was latest amended on December 29, 2018. According to the Environmental Impact Assessment Law, the State implements classified management of environmental impact assessments for construction projects based on the degree of environmental impact of such projects.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) effective as of November 20, 2017 and the Regulations on the Administration Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was revised on July 16, 2017 and implemented on October 1, 2017, after the completion of a construction project for which an environmental impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed.

According to the Environmental Impact Assessment Law, where a construction entity commenced construction prior to submission of the environmental impact report and environmental impact statement of the construction project or prior to resubmission of the environmental impact report and environmental impact statement, the ecological environment authorities at the county level or above shall order it to stop the construction, impose a fine of not less than 1% but not more than 5% of the overall investment amount for such construction project according to the seriousness and consequences of such violations, and order it to restore to the original status; and the person-in-charge and responsible personnel of the construction project shall be liable to administrative sanctions in accordance with laws.

Pollutant Discharge Permit

Pursuant to the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on April 29, 2020, entities generating hazardous waste shall store, utilise and dispose hazardous waste according to the relevant requirements of the state and environmental protection standards, and shall not dump or pile up hazardous waste without authorisation. Furthermore, it is forbidden to entrust hazardous waste to entities without a permit for disposal, or else the competent ecological and environmental authorities shall order it to make rectification, impose fines, confiscate illegal gains, and in serious circumstance, order it to suspend business or close down upon the approval of government authorities.

Pursuant to the provisions of the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated on January 24, 2021 and implemented on March 1, 2021, as well as the Measures for Pollutant Discharge Permitting Administration (《排污許可管理辦法》) promulgated on January 10, 2018, last amended and implemented on July 1, 2024, the administration on pollutant discharge units is divided into key management and simplified management pursuant to the amount of pollutant caused and discharged and the impact on the environment. Their review, decision and information disclosure of pollutant discharge licenses shall be handled through the national pollutant discharge license management information platform. The pollutant discharge license is valid for 5 years and the discharging units should apply for renewal 60 days before the expiry for continues pollutant discharge. In case of violations of the regulations regarding pollutant discharge permits, the environmental protection authorities have the right to order to make corrections, restrict production, suspend production for rectification, and suspend business and close down, and impose a fine. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年 版)》) issued by the Ministry of Ecology and Environment on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

According to the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council on October 2, 2013, and implemented on January 1, 2014, as well as the Measures for the Administration of Permits for Discharging Urban Sewage into the Drainage Pipeline (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on January 22, 2015, and last amended and implemented on February 1, 2023, enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical service and other activities which discharge sewage into urban drainage facilities shall apply to the competent urban drainage authorities for a permit for sewage discharge into the drainage pipe network (Drainage Permit). Discharging sewage into urban drainage facilities without obtaining a Drainage Permit shall be ordered by the relevant urban drainage authority to suspend illegal activities, take remedial measures within a time limit, re-apply the Drainage Permit, and may impose a fine of less than RMB500,000.

LAWS AND REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**") promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures. The forgery or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties, including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes a crime.

LAWS AND REGULATIONS ON WORK SAFETY

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002 and was latest amended in June 10, 2021, entities that engage in production and business operation activities in PRC shall set up and perfect the responsibility system for work safety, improve the conditions for work safety, strengthen the education and training on work safety for employees, provide articles of labor protection that meet the national standards or industrial standards for their employees, and perform the obligations related to work safety as stipulated by the Work Safety Law of the PRC and other laws and regulations.

HAZARDOUS CHEMICALS

The Regulation on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), which was promulgated by the State Council and latest amended in 2013, stipulates that enterprises using hazardous chemicals shall, in accordance with the types and hazard characteristics of the used hazardous chemicals as well as the amount and mode of use, establish and perfect the

safety administration regulations and safety operating rules for the use of hazardous chemicals so as to guarantee the safe use of hazardous chemicals, and shall comply with the provisions of laws and regulations regarding the storage hazardous chemicals. Enterprise fails to comply with such regulatory requirements shall be ordered to rectify, to suspend business operations, be imposed fines, or even has its permits or business license be revoked by the relevant government authorities.

LAWS AND REGULATIONS ON LAND, PLANNING AND PROJECT CONSTRUCTION

Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986 and latest amended on August 26, 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998 and latest revised on July 2, 2021, the land in the PRC is either State-owned or collectively owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of the land is collectively owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory term of use and scope of planned uses.

Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and latest amended on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planned area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people's government of the city or county or the people's government of the town as determined by the people's government of the province, autonomous region or municipality directly under the Central Government for a construction project planning permit.

Project Construction

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997 and amended on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the competent construction administrative authority of the people's government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority under the State Council. A construction project shall be delivered for use only after it has passed the acceptance examination. A construction project shall not be delivered for use without conducting or passing the acceptance examination.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019, and the Implementation Provisions of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and implemented on May 1, 2014, registered trademarks in the PRC include commodity trademarks, service trademarks, collective trademarks and certification trademarks. The Trademark

Office of China National Intellectual Property Administration handles trademark registrations and grants a term of ten years to registered trademarks, and another ten years if requested upon expiry of the first or any renewed ten-year term.

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and latest amended on October 17, 2020 and came into effect on June 1, 2021 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council and latest amended on December 11, 2023 and came into effect on January 20, 2024, there are three types of patents in the PRC, which are invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years, and the protection period of design patent right is 15 years, both commencing from the filing date.

Software Registration

Pursuant to the Regulation on Computer Software Protection (《計算機軟件保護條例》) promulgated on June 4, 1991 by the State Council and last amended on January 30, 2013 and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on April 6, 1992 and last amended by the National Copyright Administration on July 1, 2004, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to the Administrative Measures of Internet Domain Names (《互聯網域名管理辦法》) promulgated on August 24, 2017 and implemented on November 1, 2017 by the Ministry of Industry and Information Technology, the Ministry of Industry and Information Technology is the major regulatory body for national domain name services. The principle of "first-to-file" is adopted for domain name services The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder's identity for the registration purpose. Upon completion of the domain name registration, the applicant will become the holder of such registered domain names.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended and implemented on August 5, 2008, RMB is freely convertible into other currencies for current accounts such as trade-related income and expenses and payments of interest and dividends. While for capital items such as direct equity investment, loan and divestment, the conversion of RMB into other currencies and the remittance of the converted foreign currencies outside China shall be subject to prior approval of the SAFE or its local branches.

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, implemented on June 1, 2015 and partially abolished on December 30, 2019, banks shall, on behalf of SAFE,

directly examine and handle foreign exchange registration under domestic direct investment and overseas direct investment, and SAFE and its branches shall exercise indirect supervision over foreign exchange registration of direct investment through banks.

The Circular of the SAFE on Reforming the Management Approach Regarding the Settlement of Foreign Exchange 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 "**Circular 19**"), issued by the SAFE on March 30, 2015, last amended and became effective on March 23, 2023, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. Furthermore, the Circular 19 and the Circular of the SAFE on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange 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》) (the "**Circular 16**") which was issued by the SAFE on June 9, 2016, last amended and implemented on December 4, 2023, stipulate that foreign-invested enterprises shall not use the RMB funds obtained from foreign exchange capital for payment outside of the business scope of the enterprises, investment in securities or financial schemes other than wealth management products and structured deposits with risk rating results not higher than Level 2, granting loans to non-connected enterprises or constructing or purchasing real estate that is not for self-use.

The Circular of the SAFE on Further Promoting the Facilitation of 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》) which was issued by the SAFE on October 23, 2019, last amended and implemented on December 4, 2023, cancelled restrictions on the domestic equity investment by non-investment foreign-invested enterprises with their capital funds. The non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

According to the Circular of the SAFE 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》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their income under capital accounts, such as capital funds, foreign debts and the proceeds from overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in line with provisions, and in compliance with the prevailing administrative regulations on the use of income under capital accounts. The bank in charge shall conduct spot checks in accordance with the relevant requirements.

Pursuant to the Circular of the SAFE on Relevant Issues Concerning the Administration of Foreign Exchange for 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》) issued by the SAFE on December 26, 2014 and as amended by the Circular 16, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

LAWS AND REGULATIONS RELATING TO TAX

Enterprise Income Tax

Pursuant to the EIT Law promulgated by the SCNPC on March 16, 2007 and last amended and implemented on December 29, 2018, and the Regulations on the Implementation 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》) (the "**Regulations on the EIT Law**") promulgated by the State Council on December 6, 2007, last amended on December 6, 2024, and implemented on January 20, 2025, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

VAT

Pursuant to the Provisional Regulations on the VAT of the PRC (《中華人民共和國增值税暫行條例》) promulgated by the State Council, last amended and implemented on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on the VAT of the PRC (《中華人民共和國增值税暫行條例實施細則》) promulgated by the MOF on December 15, 1993, last amended on October 28, 2011 and implemented on November 1, 2011 (collectively, the "VAT Law"), all taxpayers selling goods, providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods within the PRC shall pay the VAT. Unless provided otherwise, for general the VAT taxpayers selling services and intangible assets, the VAT is 6%.

The Notice of the MOF and the STA on Adjusting the VAT (《財政部、國家税務總局關於調整增值税税率的通知》), which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, adjusts the applicable rate of the VAT and stipulates that for a taxpayer who engages in a taxable sales activity for the VAT purpose or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16.0% and 10.0%, respectively.

According to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) promulgated by the MOF and the STA and the GAC on March 20,2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) (the "**IIT Law**"), which was latest amended on August 31, 2018 and its implementation rules, for individual income including interest, dividend and bonus, individual income tax with applicable proportional tax rate of 20% shall be paid. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. According to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得税若干政策問題的通知》) promulgated on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the Company Law and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. When the PRC Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory reserve fund. If the accumulated amount of the statutory reserve fund reaches 50% of the registered capital, the Company is released from the obligation of withholding statutory reserve fund. Where the statutory common reserve fund of the company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawal of the statutory common reserve fund in accordance with the above provisions. After making allocation to the statutory provident fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at the general meeting, also allocate funds from the after-tax profits to the discretionary provident fund. The residual after-tax profits after a company has made up its losses and accrued reserve can be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association. The company shall not distribute any profits in respect of the shares held by it.

In accordance with the EIT Law and its implementation rules, a uniform enterprise income tax rate of 25% is imposed on all resident enterprises in China, including foreign-invested enterprises; a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-PRC resident enterprises is 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 when such payment is made or due.

The Circular on Issues relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the SAT on November 6, 2008, further clarifies that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends distributed to overseas non-PRC resident enterprise shareholders of H Shares in 2008 and any subsequent year. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-PRC Resident Enterprise from Holding Stock such as B Shares (《國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》), which was issued by the SAT on July 24, 2009, further provides that any PRC resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends distributed to overseas non-PRC resident enterprise shareholders of H Shares in 2008 and any subsequent year. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which was signed on August 21, 2006, the PRC regulatory authorities may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》第五議定書), which came into effect on December

6, 2019, added a criterion for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, after taking into account all relevant facts and conditions, are reasonably deemed to be obtaining such benefits, except when the grant of such benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the statutory requirements of PRC tax law documents, such as the Notice of the SAT on the Issues Concerning the Enforcement of the Dividend Clauses of Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》).

Non-PRC 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.

TARIFF LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITY

Labour Contract

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended and implemented on December 29, 2018, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and implemented on July 1, 2013 and the Implementation Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated and implemented by the State Council on September 18, 2008, an employer shall establish and improve labour rules and regulations according to the laws, and shall strictly comply with the national standards, provide relevant training to its employees, protect their labour rights and perform its labour obligations. If an employer establishes labour relationship with an employee, they should enter into a written labour contract. Labour contracts shall be categorised into fixed-term labour contract, unfixed-term labour contract and labour contract for the completion of certain work assignments. The wages payable by an employer to its employees shall not be less than local minimum wage. In addition, an employer must establish and improve the labour safety and health system, stringently implement national protocols and standards on labour safety and health, conduct labour safety and health education for employees, so as to prevent accidents in the labour process and reduce occupational hazards.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), promulgated by the SCNPC on October 28, 2010 and last amended and implemented on December 29, 2018, and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by the State Council on January 22, 1999 and last amended and implemented on March 24, 2019, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid

social insurance premium within a prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

Housing Provident Fund

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1994 and last amended and implemented on March 24, 2019, employers are required to make contributions to housing provident funds for their employees. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or makeup the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, with the approval of the State Council, 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 "**Trial Measures**") and five relevant guidelines, which came into force on March 31, 2023. According to the Trial Measures, (i) PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, it may be subject to administrative penalties, such as order to rectify, warnings and fines, and its controlling shareholders, de facto controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) direct overseas offering and listing by domestic companies refers to the overseas offering and listing of the companies limited by shares registered and established in the PRC; and (iii) any companies limited by shares registered and established in the PRC are required to file with the CSRC within three business days after their application document of overseas listing is submitted. Failure to complete the filing under the Trial Measures may subject a PRC domestic company to a rectification order issued by the CSRC, warnings, and a fine of RMB1 million to RMB10 million.

Besides, domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC regulatory authorities on foreign investment, State-owned asset management, industry regulation, overseas investment, cybersecurity, data security, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. A domestic company that conducts overseas offering and listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to fulfil its confidentiality responsibility, shall not divulge any state secret or the work secrets of state organs, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC if it is involved in the overseas provision of personal information and important data. In addition, the Trial Measures also list out the circumstances where overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) that constitutes a threat to or endangers national security; (iii) the PRC domestic company, or its controlling shareholder(s) and de facto controller(s), have committed relevant crimes such as corruption, bribery, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the domestic company is currently under investigations for alleged criminal offenses or major violations of laws and regulations, and no

conclusion has yet been made thereof; or (v) there are material ownership disputes over the equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or de facto controller(s).

The CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**") on February 24, 2023, and came into effect on March 31, 2023. Pursuant to the Provision on Confidentiality, when a domestic company provides or publicly discloses the documents and materials involving state secrets and working secrets of state organs to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses such the documents and materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval, and file with the same level secrecy administration department. Domestic companies providing accounting archives or copies thereof to entities and individuals such as securities companies, securities service institutions and overseas regulatory authorities shall perform the relevant procedures according to relevant regulations. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide related services for the overseas offering and listing of domestic enterprises shall be kept within the territory of the PRC. Cross-border transferring of such working papers shall go through the examination and approval formalities in accordance with the relevant regulations.

LAWS AND REGULATIONS RELATING TO FULL CIRCULATION OF H SHARES

On November 14, 2019, CSRC promulgated the Guidance for the Application for the "Full Circulation" of the Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Guidance**"), which came into effect on the same day and further amended on August 10, 2023. According to the Guidance, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

LATEST OUTLOOK ON U.S. TARIFF

As of the Latest Practicable Date, many semiconductor products from China are subject to, at a minimum, a 80% tariff rate, inclusive of a 50% tariff under Section 301 of the Trade Act of 1974 (the "**Section 301 Tariff**"), a 20% Fentanyl-related tariff under the International Economic Emergency Powers Act ("**IEEPA**"), which was lowered to 10% as of November 1, 2025, and a 10% reciprocal tariff, also imposed pursuant to IEEPA. The U.S. Department of Commerce is currently conducting a separate investigation on imports of semiconductors and semiconductor derivative articles, which may result in the imposition of additional duties on semiconductor imports. Due to the volatility and uncertainty of the Trump administration's tariff policies, it is difficult for us to predict the magnitude and impact of any changes in U.S. tariffs on the SiC power semiconductor device industry chain. Nonetheless, the continuously expanding market share of Chinese power device manufacturers within the SiC power semiconductor device industry chain is fundamentally underpinned by the comprehensive competitive advantage built upon performance parity, synergistic ecosystem, inherent cost advantages, and high customer stickiness.

OVERVIEW

Tracing back to 2011, our Company was founded by Dr. Zhao, a renowned scientist in the SiC-related field. Under the leadership of Dr. Zhao, after more than a decade of development, we have now become a global leader in the silicon carbide (SiC) epitaxy industry. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume. In 2024, our market share in the global SiC epitaxy wafer market exceeded 30%.

MILESTONES

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

Time	Milestone
2011	Our Company was established in Xiamen, Fujian
2012	We began to supply 4-inch SiC epitaxial wafers to global customers
2014	We began to supply 6-inch SiC epitaxial wafers to global customers
2015	We developed BPD-free technology
2016	We developed the technology to suppress stacking faults (IGSFs) in SiC epitaxy
2019	Our new 6-inch SiC epitaxy production site started operation
2021	We achieved a revenue exceeding RMB100 million and became profitable
2022	We recorded a revenue exceeding RMB400 million and net profit exceeding RMB100 million
2023	We became the world's largest SiC epitaxial foundry by annual sales volume
	We led the writing and establishment of the world's first and only SEMI standard for SiC epitaxy, titled SEMI M092-0423 Specification for 4H-SiC Homo-epitaxial Wafer
	We began to supply 8-inch SiC epitaxial wafers to global customers
2024	We completed our [**REDACTED**] financing with funds raised of more than RMB1 billion

OUR MAJOR SUBSIDIARY

On May 31, 2024, Epiworld Materials was established in the PRC with limited liability and has been primarily engaged in the production process and sales of silicon carbide (4H-SiC) epitaxial wafers. There has been no change of shareholding in Epiworld Materials since its establishment and up to the date of this Document.

MAJOR SHAREHOLDING CHANGES IN THE COMPANY

On March 31, 2011, our Company was established as a limited liability company in the PRC with an initial registered capital of RMB142,180,000, which was full paid up by May 2011. Upon establishment, our Company was owned by Dr. Zhao as to 50% and Xiamen Taicheng Group Co., Ltd. (廈門泰成集團有限公司), an Independent Third Party, as to the remaining 50%. Dr. Zhao subscribed his shares in the Company by way of injection of the technology relating to Bipolar Junction Transistor into the Company. By October 2013, shares of our Company were held by Dr. Zhao, Mr. Tang Xiuhao (湯秀豪), an Independent Third Party, Xike Zhongheng and Mr. Li Qinghua (李慶華) as to 46.47%, 33.5%, 15.89% and 4.14%, respectively. Mr. Li Qinghua (李慶華) is our former Director and a cousin of Dr. Zhao, and Xike Zhongheng is our substantial shareholder under the Listing Rules. In March 2015, Mr. Tang Xiuhao transferred all his Shares in the Company to his son, Mr. Tang Ganlin (湯甘霖). In April 2018, due to personal financing demand, Mr. Tang Ganlin ceased to be a Shareholder of the Company by way of transferring all his Shares in the Company to other then existing Shareholders of the Company. For details, please refer to "— [**REDACTED**] Investments — Overview" below.

As one of our early stage business partners and in view of our business prospects, Mr. Zhang Minghua (張明華), an Independent Third Party, acquired 1.97% of the total issued share capital of our Company in December 2014 at a total consideration of RMB10 million by way of capital injection. In recognition of his long-term commitment to our business cooperation, Dr. Zhao transferred 0.25% of the shares in the share capital of our Company to Mr. Zhang Minghua at nil consideration in January 2020. As of the date of this Document, Mr. Zhang Minhua holds 1.4886% of the shares in the share capital of our Company. In May 2016, Mr. Chen Yinfei (陳音飛), our former Director, acquired 2.56% of the shares in the share capital of our Company at a consideration of RMB20 million by way of capital injection. In addition, Mr. Li Qinghua (李慶華) further invested in our Company by way of equity transfer from one of our [**REDACTED**] Investors at a consideration of RMB113.52 million in January 2021 and his shareholding in our Company was increased to 7.69% by then.

After years of development, on May 25, 2023, our Company was converted into a joint stock company with limited liability and our registered share capital was increased to RMB360 million. Before and after the conversion, we completed several rounds of [**REDACTED**] Investments through capital injection and equity transfers between our [**REDACTED**] Investors. For details, please refer to "— [**REDACTED**] Investments" below.

ACQUISITIONS, MERGERS AND DISPOSALS

Throughout the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, mergers or disposals.

EMPLOYEE SHAREHOLDING PLATFORM

In recognition of the contributions of our employees and to incentivize them to further promote our development, Epiworld Core was established as our employee shareholding platform in the PRC in December 2020. As of the Latest Practicable Date, all of the share awards under the platform have been granted and vested, and as a result, the grantees held the partnership interest in our employee shareholding platform, subject to terms and conditions of our share incentive scheme. As of the Latest Practicable Date, there is no outstanding options or share awards under our share incentive scheme.

There are 23 limited partners in Epiworld Core as of the Latest Practicable Date and Mr. Chen Zhenhe (陳振和), who is interested in Epiworld Core as to approximately 1.50% and the brother-in-law of Dr. Zhao, has been the general partner of Epiworld Core since its establishment. As of the Latest Practicable Date, Dr. Feng Gan (馮淦), Dr. Sun Yongqiang (孫永強), Mr. Peng Xinghua (彭興華) and Dr. Hong Tu (洪圖), all being members of our senior management, are interested in Epiworld Core as limited partners as to approximately 53.23%, 7.51%, 5.01% and 3.13%, respectively. In addition, Mr. Qian Weining (錢衛寧) and Mr. Li Kaixi (李凱希), being our Supervisors, are interested in Epiworld Core as limited partners as to approximately 3.01% and 2.25%, respectively. Save as disclosed in this section headed "Employee Shareholding Platform", there are no connected persons who are interested in Epiworld Core.

[REDACTED] INVESTMENTS

Overview

We have undergone the following rounds of [**REDACTED**] Investments, details of which are set forth below.

Name of Shareholder	Date of agreement	Date of last payment of consideration	Total consideration	Cost per Share[1]	[REDACTED] to the [REDACTED][2]
			(RMB)	*(RMB)*	
Dangfeng Technology	October 30, 2014	December 3, 2014	10,010,000	2.10	[**REDACTED**]%
	December 10, 2015	December 17, 2015	40,000,000	2.10	[**REDACTED**]%
Xiamen Hi-Tech Investment[15]	October 30, 2014	November 13, 2014	5,000,000	2.10	[**REDACTED**]%
	December 28, 2020[3]	October 13, 2020	8,771,000	3.68	[**REDACTED**]%
Torch Capital	January 5, 2015	January 30, 2015	10,000,000	2.10	[**REDACTED**]%
Hainan Zhentai	February 2, 2016	February 3, 2016	32,500,000	2.10	[**REDACTED**]%
Xike Zhongheng	April 26, 2018[4]	June 29, 2018	24,800,000	1.58	[**REDACTED**]%
	April 24, 2020	May 15, 2020	12,280,000	3.68	[**REDACTED**]%
Puyuan Pengyuan	April 26, 2018[5]	July 6, 2018	15,000,000	1.53	[**REDACTED**]%
Xincheng Zhongchuang	April 26, 2018[6]	October 24, 2018	15,000,000	1.53	[**REDACTED**]%
	December 2, 2019	December 2, 2019	7,000,000	1.53	[**REDACTED**]%
	April 24, 2020	May 18, 2020	4,297,386	3.68	[**REDACTED**]%
	January 4, 2022[7]	January 14, 2022	34,300,000	36.00	[**REDACTED**]%
Ningbo Fuchi	January 5, 2019	February 15, 2019	35,000,000	3.68	[**REDACTED**]%
Huangshan Saifu	September 9, 2019	September 12, 2019	40,000,000	3.68	[**REDACTED**]%
Saifu Jinzuan	September 9, 2019	September 12, 2019	10,000,000	3.68	[**REDACTED**]%
Xiamen Jushenghua	September 25, 2019	September 27, 2019	25,000,000	3.68	[**REDACTED**]%
Shanghai Tianli	September 25, 2019	September 25, 2019	13,234,727	3.68	[**REDACTED**]%
	December 2, 2019	December 13, 2019	11,760,378	3.68	[**REDACTED**]%
Huiyou Chuangjia	January 20, 2020	February 24, 2020	20,000,000	3.68	[**REDACTED**]%
Xiamen Hongyuan, Xiamen Spark and Xiamen Hongxing[15]	May 26, 2020[8]	April 28, 2020	89,898,498	4.91	[**REDACTED**]%
China Resources Microelectronics	July 19, 2020	July 29, 2020	40,000,000	3.68	[**REDACTED**]%
Hubble Technology	October 24, 2020	November 12, 2020	60,000,000	3.68	[**REDACTED**]%
Ningbo Qiaowang	December 27, 2021[9]	December 30, 2021	60,250,000	25.30	[**REDACTED**]%
Liaoning Haitong and Shanghai Zhezhong	December 22, 2021	December 23, 2021	100,000,000	31.79	[**REDACTED**]%

Name of Shareholder	Date of agreement	Date of last payment of consideration	Total consideration	Cost per Share[1]	[REDACTED] to the [REDACTED][2]
			(RMB)	*(RMB)*	
Qingda Runyu[15]	March 16, 2022	January 20, 2022	50,000,000	38.99	[**REDACTED**]%
Qingda Xinsheng, Huzhou Runxu, Ningbo Fuwurong, Jiadong Wuyuan	November 2, 2022	November 28, 2022	102,300,000	41.99	[**REDACTED**]%
Hefei Tiancheng	December 28, 2022	December 29, 2022	100,000,000	55.56	[**REDACTED**]%
Shanghai Minshenshi, Huajin Mingjiade, Huajin Yuxing, Jiangyin Yinrun, Dongzheng Ruikun	June 2023[11]	June 28, 2023	180,000,000	64.78 and 71.38	[**REDACTED**]% and [**REDACTED**]
Chantou Juxiang Xinhan, ICBC Investment, Xiamen Gongrong Industry and Xiamen Chantou Gongrong	December 2024[12]	December 31, 2024	1,030,000,000	64.78	[**REDACTED**]%
Qingyue Jingfu	April 28, 2025[13]	April 28, 2025	39,480,294	49.69	[**REDACTED**]%
Wangrui Hancheng	July 2025[14]	August 13, 2025	120,000,000	49.49	[**REDACTED**]%

Notes:

(1) The cost per Share paid by the [**REDACTED**] Investors was calculated based on the amount of investment made by the relevant [**REDACTED**] Investors and the number of Shares held by them immediately before the completion of the [**REDACTED**].

(2) The [**REDACTED**] to the [**REDACTED**] is calculated based on the fixed [**REDACTED**] and the exchange rates as set out in this Document.

(3) The shares were transferred from Xiamen High Tech Entrepreneurship Center Co., Ltd. (廈門高新技術創業中心有限公司), an Independent Third Party.

(4) Tang Ganlin, Wu Jinhe (吳錦河) and Chen Yinfei transferred 3.8966%, 0.3143% and 0.9482% equity interests they held in the Company at a consideration of RMB16,712,088, RMB2,013,588 and RMB6,074,324, respectively, to Xike Zhongheng. Wu Jinhe is one of our Independent Third Parties.

(5) Tang Ganlin, Wu Jinhe and Chen Yinfei transferred 2.2669%, 0.2357% and 0.7111% equity interests they held in the Company at a consideration of RMB8,934,066, RMB1,510,191 and RMB4,555,743, respectively, to Puyuan Pengyuan.

(6) Tang Ganlin, Wu Jinhe and Chen Yinfei transferred 2.2669%, 0.2357% and 0.7111% equity interests they held in the Company at a consideration of RMB8,934,066, RMB1,510,191 and RMB4,555,743, respectively, to Xincheng Zhongchuang.

(7) The shares were transferred from Xiamen Hi-Tech Investment, an Independent Third Party.

(8) The shares were transferred from Longyan Xinsida Technology Co., Ltd. (龍岩芯思達科技有限公司), an Independent Third Party.

(9) The shares were transferred from Torch Capital, an Independent Third Party.

(10) The increase in the cost per Share was attributed to the increase in the valuation of the Company as a result of a number of milestones in our business development achieved during the period, in particular (i) we became profitable in 2021, (ii) we recorded a revenue exceeding RMB400 million and net profit exceeding RMB100 million in 2022, and (iii) the supply of 8-inch SiC epitaxial wafers to global customers in 2023.

(11) June 6, 2023 for Shanghai Minshenshi, June 7, 2023 for Huajin Mingjiade and Huajin Yuxing, June 9, 2023 for Jiangyin Yinrun and June 19, 2023 for Dongzheng Ruikun.

(12) December 24, 2024 for Chantou Juxiang Xinhan and ICBC Investment; December 30, 2024 for Xiamen Gonrong Industry and Xiamen Chantou Gongrong

(13) The shares were transferred from Huangshan Saifu and Saifu Jinzuan.

(14) The shares were transferred from Dr. Zhao.

(15) The last payments of consideration for Xiamen Hi-Tech Investment, Xiamen Hongyuan, Xiamen Spark, Xiamen Hongxing and Qingda Runyu were made before the date of the relevant agreements in order to secure these [**REDACTED**] Investors' allocation in the relevant financing rounds.

Other Principal Terms of the [REDACTED] Investments

Basis of determination of the valuation and consideration	The considerations for each round of the [**REDACTED**] Investments were determined based on arm's length negotiations amongst the [**REDACTED**] Investors and our Group, as applicable after taking into consideration of the timing of the investments, our valuation when the investment agreement was entered into, the operation of our business, the financial performance of our Group, and the prospects of our business.
Lock-up period	Pursuant to PRC Company Law, Shares issued by our Company prior to the [**REDACTED**] (including those held by the [**REDACTED**] Investors) will be subject to a lock-up period of one year from the [**REDACTED**].
Use of proceeds from the [**REDACTED**] Investments	We have utilized the proceeds from the [**REDACTED**] Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, over 95% of the funds raised from the [**REDACTED**] Investments have been utilized. In respect of the funds raised in December 2024, over 95% of the funds had been utilized as of the Latest Practicable Date with appropriately RMB332 million spent on our daily operation and RMB650 million on repaying bank loans we borrowed before for our business expansion.
Strategic benefits to our Company brought by the [**REDACTED**] Investors	At the time of the relevant [**REDACTED**] Investments, our Directors were of the view that our Group could benefit from the additional funds provided by the [**REDACTED**] Investments in our Group and the knowledge and experience of the [**REDACTED**] Investors in the semiconductor industry. The [**REDACTED**] Investments demonstrated the [**REDACTED**] Investors' confidence in the operation and development of our Group.

Special Rights of the [REDACTED] Investors

The [**REDACTED**] Investors were granted certain special rights, including but not limited to redemption rights, information rights, inspection rights, pre-emptive rights, and anti-dilution rights. In particular, the Company had granted redemption rights to Mr. Zhang Minghua, Mr. Chen Yinfei, Mr. Wu Jinhe, Xiamen Hi-Tech Investment, Torch Capital and Dangfeng Technology. Based on the supplemental agreement dated October 31, 2023 entered into between the Company and certain Shareholders, all special rights granted to the Shareholders at the time other than Dangfeng Technology, including their redemption rights, were terminated and will not be reinstated for any reason or circumstance. In addition, special rights granted to Dangfeng Technology, including redemption rights, were terminated pursuant to a confirmation letter issued by Dangfeng Technology in April 2025 and a resolution passed by the Shareholders in March 2025. On April 2, 2025, the Company also entered into a supplemental agreement with the remaining Shareholders pursuant to which their special rights will be terminated upon [**REDACTED**]. These Shareholders were not entitled to redemption rights before the date of such supplemental agreement.

For details of the accounting treatment of the special rights granted to the [**REDACTED**] Investors during the Track Record Period, please refer to note 31 to Appendix I.

Sole Sponsor's Confirmation

On the basis that (i) the consideration for the [**REDACTED**] Investment was settled more than 28 clear days before the first filing of the [**REDACTED**] by our Company with the Stock Exchange or 120 clear days before the commencement of [**REDACTED**] in the H Shares on the Stock Exchange, and (ii) the existing special rights granted to the [**REDACTED**] Investors as disclosed in "— Special Rights of the [**REDACTED**] Investors" will be terminated upon the [**REDACTED**], the Sole Sponsor confirms that the [**REDACTED**] Investments are in compliance with the [**REDACTED**] Investment Guidance in Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

Information of the [REDACTED] Investors

Set forth below are details for each of our [**REDACTED**] Investors with a shareholding of more than 1% as of the date of this Document. To the best knowledge of our Company and save as disclosed in this section headed "Information of the [**REDACTED**] Investors", all of our [**REDACTED**] Investors are Independent Third Parties.

Xike Zhongheng

Xike Zhongheng is a limited partnership established in the PRC on January 7, 2013, principally engaged in the investments in high-tech industries. The general partner of Xike Zhongheng is Mr. Su Ping (蘇平), our non-executive Director, who holds 27.53% of the partnership interests therein as the ultimate beneficial owner.

There are 20 limited partners in Xike Zhongheng, amongst which i) Ms. Bai Liting (白麗婷), our executive Director, ii) Su Ning (蘇寧), the sister of Mr. Su Ping (蘇平), and iii) Qiu Rui (邱蕊), the sister-in-law of Mr. Su Ping, respectively hold 3.78%, 13.24% and 0.59% of partnership interests therein. None of the other limited partners of Xike Zhongheng hold 30% or more partnership interests therein, and all of them are individual investors and Independent Third Parties.

Xincheng Zhongchuang

Xincheng Zhongchuang is a limited partnership established in the PRC on July 24, 2017. The general partner of Xincheng Zhongchuang is Xu Xiyun (許希雲), the spouse of Li Qinghua (李慶華). Ms. Xu is also the largest ultimate beneficial owner in Xincheng Zhongchuang, holding 22.19% of partnership interests therein. There are 19 limited partners in Xincheng Zhongchuang who are mostly individual investors, amongst which, Ms. Bai Liting (白麗婷), our executive Director and Qian Leidan (錢雷丹), the spouse of the sister of Mr. Su Ping (蘇平), our non-executive Director, is respectively interested in 13.21% and 6.31% of partnership interests therein. Save as disclosed above, the aforementioned entities and individuals are all Independent Third Parties.

Hubble Technology

Hubble Technology, formerly known as Hubble Technology Investment Co., Ltd. (哈勃科技投資有限公司) is a limited liability company established in the PRC on April 23, 2019. Hubble Technology is a venture capital institution wholly-owned by Huawei Investment & Holding Co., Ltd. (華為投資控股有限公司), a company focusing on investments in technology and information technology application innovation.

Xiamen Hongyuan, Xiamen Spark and Xiamen Hongxing

Xiamen Hongyuan, Xiamen Spark and Xiamen Hongxing are all limited partnerships established in the PRC on April 13, 2017, July 9, 2018, and June 4, 2019, respectively. They are all managed by Shenzhen Zhongnan Hongyuan Private Equity Venture Capital Fund Management Co., Ltd. (深圳中南弘遠私募創業投資基金管理有限公司) ("**Shenzhen Hongyuan**") who holds 2.37%, 9.57% and 1% of partnership interests in Xiamen Hongyuan, Xiamen Spark and Xiamen Hongxing, respectively. Except for Huang Weimiao (黃葦苗) who holds 98% of partnership interests in Xiamen Hongxing, none of the other ultimate beneficial owners of each of Xiamen Hongyuan, Xiamen Spark or Xiamen Hongxing holds more than 20% of partnership interests therein. Shenzhen Hongyuan is indirectly owned as to 83.33% by Xiamen Zhongnan Hongyuan Investment Partnership (Limited Partnership) (廈門中南弘遠投資合夥企業(有限合夥)) who is in turn managed and owned as to 60% by Huang Weimiao as its general partner and largest ultimate beneficial owner. All of the aforementioned entities and individuals are Independent Third Parties.

Hainan Zhentai

Hainan Zhentai is a limited partnership established in the PRC on May 14, 2020. The general partner is Lin Jianxin (林建新) who also holds 99.97% of partnership interests therein. The remaining 0.03% is held by Zhu Yuejin (朱躍進). Both Lin Jianxin and Zhu Yuejin are Independent Third Parties.

China Resources Microelectronics

China Resources Microelectronics is a company ultimately controlled by China Resources Microelectronics Limited (華潤微電子有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688396.sh, also formerly listed on the Stock Exchange, stock code: 0597.hk). It is mainly engaged in producing and distributing open foundries, integrated circuits, discrete devices, and other related products.

Huangshan Saifu

Huangshan Saifu is a limited partnership established in the PRC on January 5, 2018. Its general partner is Huangshan Saifu Fund Management Co., Ltd. (黃山賽富基金管理有限責任公司). Huangshan Saifu is an investment fund focusing on technology, culture and tourism and innovative platform and ultimately controlled by Mr. Andrew Y. Yan (閻焱) who is the representative of the managing partner of Tianjin Saifu Shengyuan Investment Management Center (Limited Partnership) (天津賽富盛元投資管理中心(有限合夥)). Mr. Andrew Y. Yan (閻焱) is an Independent Third Party. The remaining partnership interests are held by three other limited partners, including i) Shenzhen Jinsheng Shuoheng Venture Capital Center (L.P.) (深圳金晟碩恒創業投資中心(有限合夥)) a private equity investment company ultimately controlled by Mr. Li Ye (李曄), an Independent Third Party, as to 40%, ii) Bank of China Asset Management Co., Ltd (中銀資產管理有限公司), a company controlled by Bank of China Limited, a company listed on the Shanghai Stock Exchange and the Stock Exchange (stock code: 601988.sh and 03988.hk), as to 35% and iii) Huangshan Tourism Development Co., Ltd. (黃山旅遊發展股份有限公司) (stock code: 600054.sh), a company listed on the Shanghai Stock Exchange and ultimately controlled by Huangshan City Local Financial Supervision and Administration Bureau (黃山市地方金融監督管理局) as to 24%.

Puyuan Pengyuan

Puyuan Pengyuan is a limited partnership established in the PRC on April 25, 2018. The general partner is Hong Boya (洪博雅). Besides from Lin Canhuang (林燦煌) who holds 50.10% of partnership interests therein, none of the other seven partners holds more than 25% of partnership interests in Puyuan Pengyuan. All of Hong Boya (洪博雅) and the partners are Independent Third Parties.

Ningbo Fuchi

Ningbo Fuchi is a limited partnership established in the PRC on December 19, 2018. Its general partner is Zhang Lingyi (張玲藝) and there are five limited partners in Ningbo Fuchi with Chen Yufan (陳宇凡) holding 53.71% partnership interests. None of the other limited partners holds more than 25% of the partnership interests in Ningbo Fuchi. Zhang Lingyi and all limited partners are our Independent Third Parties.

Xiamen Jushenghua

Xiamen Jushenghua is a limited partnership established in the PRC on September 5, 2019. Its general partner is Lin Chaojun (林超俊) who holds 75.44% of partnership interests therein. The other two limited partners of Xiamen Jushenghua are Luo Chunquan (羅春泉) and Zheng Zhenkuan (鄭振寬), who hold 23.33% and 1.23% partnership interests respectively. The aforesaid individuals are all Independent Third Parties.

Shanghai Tianli

Shanghai Tianli is a limited partnership established in the PRC on August 30, 2019, and is principally engaged in investment focusing on semi-conductor sector. Shanghai Tianli's general partner and largest ultimate beneficial owner is Lianyungang Carbon Silicon No. 1 Venture Capital Partnership Enterprise (Limited Partnership) (連雲港碳矽一號創業投資合夥企業(有限合夥)) ("**Lianyungang Carbon Silicon**") which holds 47.28% of partnership interests therein. The other two limited partners in Shanghai Tianli are Chongqing Carbon Silicon No. 2 Enterprise Management Center (Limited Partnership) (重慶碳矽二號企業管理中心(有限合夥)) ("**Chongqing Carbon Silicon**") and Gongqingcheng Tianxing Xinfei Venture Capital Partnership (Limited Partnership (共青城天興芯飛創業投資合夥企業(有限合夥)) ("**Gongqingcheng Tianxing**"), which hold 44.68% and 8.03% partnership interests respectively. Both Lianyungang Carbon Silicon and Chongqing Carbon Silicon are managed by Shanghai Hongjing Private Equity Fund Management Co., Ltd. (上海竑景私募基金管理有限公司), which is ultimately controlled by Chen Junhua (陳軍華), an Independent Third Party. Gongqingcheng Tianxing is managed by Shanghai Tianxing Weishi Private Equity Fund Management Company Limited (上海天興未石私募基金管理有限公司), which is controlled by Bai Ge (白戈), an Independent Third Party. All of the ultimate beneficial owners of each of Lianyungang Carbon Silicon, Chongqing Carbon Silicon and Gongqingcheng Tianxiao are individuals who are our Independent Third Parties.

Huiyou Chuangjia

Huiyou Chuangjia is a limited partnership established in the PRC on May 31, 2017. Its general partner is Shenzhen Huiyou Private Equity Fund Management Co., Ltd (深圳市惠友私募股權基金管理有限公司), a limited liability company controlled by Yang Longzhong (楊龍忠). Mr. Yang is also the second largest ultimate beneficial owner in Huiyou Chuangjia, holding 28.41% of partnership interests therein. The largest limited partner of Huiyou Chuangjia is Yingfu Taike National Emerging Industry Venture Investment Guidance Fund (L.P.) (盈富泰克國家新興產業創業投資引導基金(有限合夥)) which holds 31.82% of partnership interests and is under the control of Yingfu Taike Venture Capital Company Limited (盈富泰克創業投資有限公司), a private equity investment company with assets under management of more than RMB7 billion. All of the aforementioned entities, individuals and other ultimate beneficial owners of Huiyou Chuangjia are all Independent Third Parties.

Dangfeng Technology

Dangfeng Technology is a limited liability company established in the PRC on November 21, 2014 and is owned as to 64.05% by Xiamen Dangfeng Investment Management Co., Ltd. (廈門市當豐投資管理有限公司), which is in turn owned as to 55% by Wang Yucai (王育才) and as to 45% Mr. Wang Yaoyi (王耀藝), both being our Independent Third Parties. None of the other ultimate beneficial owners of Dangfeng Technology is interested in it as to more than 20%, who are also our Independent Third Parties.

Xiamen Hi-Tech Investment and Torch Capital

Xiamen Hi-Tech Investment and Torch Capital are companies established in the PRC on March 11, 2013 and April 5, 2004, respectively. Xiamen Hi-Tech Investment is wholly owned by Xiamen High Tech Entrepreneurship Center Co., Ltd. (廈門高新技術創業中心有限公司). Xiamen High Tech Entrepreneurship Center Co., Ltd. (廈門高新技術創業中心有限公司) and Torch Capital are both wholly owned by Xiamen Torch Group Co., Ltd. (廈門火炬集團有限公司).

Chantou Juxiang Xinhan, Xiamen Gongrong Industry, Xiamen Chantou Gongrong and ICBC Investment

Chantou Juxiang Xinhan, Xiamen Gongrong Industry and Xiamen Chantou Gongrong are limited partnerships established in the PRC on December 20, 2024, December 16, 2024, and December 16, 2024 respectively. The general partner of Chantou Juxiang Xinhan is Xiamen Production Investment Xinyuan Technology Investment Co., Ltd. (廈門產投新圓科技投資有限公司) ("**Xinyuan Technology**"), a company wholly owned by Xiamen Industrial Investment Co., Ltd. (廈門市產業投資有限公司) ("**Xiamen Chantou**") which is indirectly wholly owned by Xiamen Municipal Finance Bureau (廈門市財政局). Except for Xiamen Chantou, Xiamen Xiang'an Investment Promotion Group Co., Ltd. (廈門市翔安招商集團有限公司) and Xiamen Torch Industry Equity Investment Management Co., Ltd. (廈門火炬產業股權投資管理有限公司) each holding 27.78% of partnership interests in Chantou Juxiang Xinhan and Fujian Leading Industrial Equity Investment Fund Partnership (Limited Partnership) (福建龍頭產業股權投資基金合夥企業(有限合夥)) holding 16.67% of partnership interests in Chantou Juxiang Xinhan, none of the limited partners holds more than 30% of partnership interests in Chantou Juxiang Xinhan. The general partners of Xiamen Gongrong Industry and Xiamen Chantou Gongrong are Xinyuan Technology and ICBC Capital Management Co., Ltd. (工銀資本管理有限公司), a company wholly owned by ICBC Investment, who is also one of our [**REDACTED**] Investor. None of the limited partners is interested in Xiamen Gongrong Industry as to more than 30% and all of them are Independent Third Parties which are state-owned entities or under the control of ICBC Investment. ICBC Investment is interested in Xiamen Chantou Gongrong as to 69.95% as a limited partner and all of the other limited partners of Xiamen Chantou Gongrong are Independent Third Parties which are state-owned entities or under the control of ICBC Investment.

ICBC Investment is a company with limited liability established in the PRC. It is wholly owned by Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601398.sh) and also on the Stock Exchange (Stock code: 01398.hk).

LISTING ATTEMPT

We submitted our A share listing application to the Shanghai Stock Exchange in December 2023. In January 2024, we received our first comment letter from the Shanghai Stock Exchange with common comments including but not limited to shareholding changes of the Company, key products and market competitiveness, top customers and suppliers, financial performance, employee share incentive scheme, related party transactions and corporate governance. Considering the time required for completing the vetting process of the A-share listing applications, the Company's fundraising demand for business expansion, and financing opportunities in the second half of 2024, based on our latest corporate development strategies, we withdrew our A share listing application in June 2024. We have not submitted our responses to the CSRC comment letter before the withdrawal of our A share listing application. Considering a [**REDACTED**] on the Stock Exchange would (a) provide our Company with an international platform to promote our market awareness worldwide, (b) gain access to international capital and optimize our capital structure, and (c) further raise our market profile and help us to attract international talents, we commenced our H share [**REDACTED**] preparation. Our Directors confirm that, to their best knowledge, there are no other material matters relating to the A share listing attempt that would affect the Company's suitability for [**REDACTED**] on the Stock Exchange and are necessary to be disclosed in this Document for [**REDACTED**] to form an informed assessment of our Company. Considering the

independent due diligence conducted by the Sole Sponsor, nothing relating to the A share listing attempt has come to the attention of the Sole Sponsor which would materially and adversely affect the Company's suitability for the [**REDACTED**].

CAPITALIZATION

Our Company [has applied] for H-share full circulation to convert certain Unlisted Shares into H Shares after the [**REDACTED**]. The conversion of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares, representing approximately [**REDACTED**]% of the total issued share capital of the Company as of the Latest Practicable Date.

The table below is a summary of the capitalization of our Company as of the date of this Document and upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the conversion of Unlisted Shares into H Shares):

Name of Shareholder	Number of Unlisted Shares held upon completion of the [REDACTED]	Number of H Shares held upon completion of the [REDACTED]	Number of Shares held in total	Approximate percentage of shareholding in the Company as of the Latest Practicable Date	Approximate percentage of shareholding in the Company upon completion of the [REDACTED]
Dr. Zhao	[REDACTED]	[REDACTED]	116,560,399	28.85%	[REDACTED]%
Xike Zhongheng[(1)]	[REDACTED]	[REDACTED]	56,749,358	14.04%	[REDACTED]%
Li Qinghua (李慶華)	[REDACTED]	[REDACTED]	27,019,903	6.69%	[REDACTED]%
Xincheng Zhongchuang[(1)]	[REDACTED]	[REDACTED]	16,503,914	4.08%	[REDACTED]%
Hubble Technology[(1)]	[REDACTED]	[REDACTED]	16,292,350	4.03%	[REDACTED]%
Xiamen Hongyuan[(1)]	[REDACTED]	[REDACTED]	16,106,360	3.99%	[REDACTED]%
Xiamen Spark[(1)]	[REDACTED]	[REDACTED]	2,034,697	0.50%	[REDACTED]%
Xiamen Hongxing[(1)]	[REDACTED]	[REDACTED]	150,568	0.04%	[REDACTED]%
Epiworld Core	[REDACTED]	[REDACTED]	15,968,888	3.95%	[REDACTED]%
Hainan Zhentai[(1)]	[REDACTED]	[REDACTED]	15,481,611	3.83%	[REDACTED]%
China Resources Microelectronics[(1)]	[REDACTED]	[REDACTED]	10,861,566	2.69%	[REDACTED]%
Huangshan Saifu[(1)]	[REDACTED]	[REDACTED]	10,225,966	2.53%	[REDACTED]%
Puyuan Pengyuan[(1)]	[REDACTED]	[REDACTED]	9,807,526	2.43%	[REDACTED]%
Chen Yinfei (陳音飛)	[REDACTED]	[REDACTED]	9,527,146	2.36%	[REDACTED]%
Ningbo Fuchi[(1)]	[REDACTED]	[REDACTED]	9,503,871	2.35%	[REDACTED]%
Xiamen Jushenghua[(1)]	[REDACTED]	[REDACTED]	6,788,479	1.68%	[REDACTED]%
Shanghai Tianli[(1)]	[REDACTED]	[REDACTED]	6,787,150	1.68%	[REDACTED]%
Zhang Minghua (張明華)	[REDACTED]	[REDACTED]	6,015,215	1.49%	[REDACTED]%
Huiyou Chuangjia[(1)]	[REDACTED]	[REDACTED]	5,430,783	1.34%	[REDACTED]%
Dangfeng Technology[(1)]	[REDACTED]	[REDACTED]	4,768,336	1.18%	[REDACTED]%
Xiamen Hi-Tech Investment[(1)]	[REDACTED]	[REDACTED]	3,810,858	0.94%	[REDACTED]%
Torch Capital[(1)]	[REDACTED]	[REDACTED]	2,381,872	0.59%	[REDACTED]%
Chantou Juxiang Xinhan[(1)]	[REDACTED]	[REDACTED]	2,778,751	0.69%	[REDACTED]%
Xiamen Gongrong Industry[(1)]	[REDACTED]	[REDACTED]	3,087,501	0.76%	[REDACTED]%
Xiamen Chantou Gongrong[(1)]	[REDACTED]	[REDACTED]	3,087,501	0.76%	[REDACTED]%
ICBC Investment[(1)]	[REDACTED]	[REDACTED]	6,946,878	1.72%	[REDACTED]%
Wangrui Hancheng	[REDACTED]	[REDACTED]	2,424,557	0.60%	[REDACTED]%
Ningbo Qiaowang[(2)]	[REDACTED]	[REDACTED]	2,381,701	0.59%	[REDACTED]%
Jiangyin Yinrun[(2)]	[REDACTED]	[REDACTED]	980,736	0.24%	[REDACTED]%
Huzhou Runxu[(2)]	[REDACTED]	[REDACTED]	478,739	0.12%	[REDACTED]%
Saifu Jinzuan	[REDACTED]	[REDACTED]	2,556,491	0.63%	[REDACTED]%
Liaoning Haitong	[REDACTED]	[REDACTED]	1,887,453	0.47%	[REDACTED]%
Hefei Tiancheng	[REDACTED]	[REDACTED]	1,800,000	0.45%	[REDACTED]%
Qingda Runyu	[REDACTED]	[REDACTED]	1,282,501	0.32%	[REDACTED]%
Qingda Xinsheng	[REDACTED]	[REDACTED]	1,005,114	0.25%	[REDACTED]%
Shanghai Zhezhong	[REDACTED]	[REDACTED]	1,258,302	0.31%	[REDACTED]%

Name of Shareholder	Number of Unlisted Shares held upon completion of the [REDACTED]	Number of H Shares held upon completion of the [REDACTED]	Number of Shares held in total	Approximate percentage of shareholding in the Company as of the Latest Practicable Date	Approximate percentage of shareholding in the Company upon completion of the [REDACTED]
Dongzheng Ruikun	[REDACTED]	[REDACTED]	840,630	0.21%	[REDACTED]%
Qingyue Jingfu	[REDACTED]	[REDACTED]	794,500	0.20%	[REDACTED]%
Ningbo Fuwurong	[REDACTED]	[REDACTED]	476,357	0.12%	[REDACTED]%
Jiadong Wuyuan	[REDACTED]	[REDACTED]	476,357	0.12%	[REDACTED]%
Shanghai Minshenshi	[REDACTED]	[REDACTED]	463,125	0.11%	[REDACTED]%
Huajin Mingjiade(3)	[REDACTED]	[REDACTED]	154,375	0.04%	[REDACTED]%
Huajin Yuxing(3)	[REDACTED]	[REDACTED]	154,375	0.04%	[REDACTED]%
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	–	[REDACTED]%
Total	[REDACTED]	[REDACTED]	[REDACTED]	**100%**	**100%**

Notes:

(1) Please see "— [**REDACTED**] Investments — Information of the [**REDACTED**] Investors" in this section for details.

(2) Ningbo Qiaowang, Huzhou Runxu and Jiangyin Yinrun are all managed by Yinrun (Shanghai) Private Equity Fund Management Co., Ltd. (銀潤(上海)私募基金管理有限公司).

(3) Huajin Mingjiade and Huajin Yuxing are both managed by Ningbo Huajin Weiran Private Equity Fund Management Co., Ltd. (寧波華錦蔚然私募基金管理有限公司).

PUBLIC FLOAT

Following the conversion of Unlisted Shares into H Shares and upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), (i) Dr. Zhao, our Single Largest Shareholder and executive Director, and (ii) Xike Zhongheng, our substantial shareholder, will be deemed as our core connected persons and a total of [**REDACTED**] Shares held by them, representing [**REDACTED**]% of our total issued Shares, will not be counted towards the public float. Save as disclosed above, all of the H Shares to be held by our existing Shareholders upon the completion of the [**REDACTED**] and the conversion of Unlisted Shares into H Shares will be counted towards the public float. For details, please refer to the section headed " — Capitalization" above.

To the best knowledge of our Directors, upon the completion of the [**REDACTED**] and the conversion of Unlisted Shares into H Shares, [**REDACTED**] H Shares are expected to be held by our existing Shareholders who are not our core connected persons, which will be counted towards the public float.

Based on the above, it is expected that immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the total number of [**REDACTED**] H Shares held by the [**REDACTED**] represents approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**], which is higher than the prescribed percentage of H Shares required to be held in public hands of [**REDACTED**]%, under Rule 8.08(1), based on the fixed [**REDACTED**]). Therefore, our Company will be able to meet the minimum public float requirements under Rule 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules.

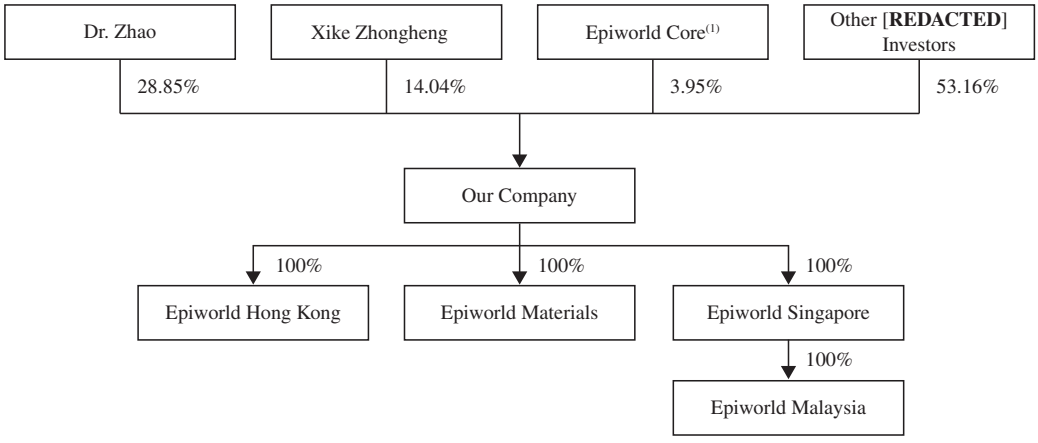
FREE FLOAT

Rule 19A.13C 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 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 (excluding treasury shares), with an expected market value at the time of listing of not less than HK$50,000,000; or (b) have an expected market value at the time of listing of not less than HK$600,000,000.

Pursuant to PRC Company Law, all of the Shares issued by our Company prior to the [**REDACTED**] will be subject to a lock-up period of one year from the [**REDACTED**]. Therefore, all Shares held by our existing Shareholders upon the [**REDACTED**] shall not be counted towards the free float. In addition, the [**REDACTED**] have agreed to a lock-up period of six months following the [**REDACTED**]. As such, H Shares held by the [**REDACTED**] upon the [**REDACTED**] shall not be counted towards the free float of the H Shares of the Company at the time of [**REDACTED**]. Based on the fixed [**REDACTED**] and assuming the maximum allocation of [**REDACTED**] of [**REDACTED**]% to [**REDACTED**] tranche permissible under the Listing Rules, our Company can still satisfy the free float requirement under Rule 19A.13C of the Listing Rules.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's simplified shareholding and corporate structure immediately prior to the completion of the [**REDACTED**]:

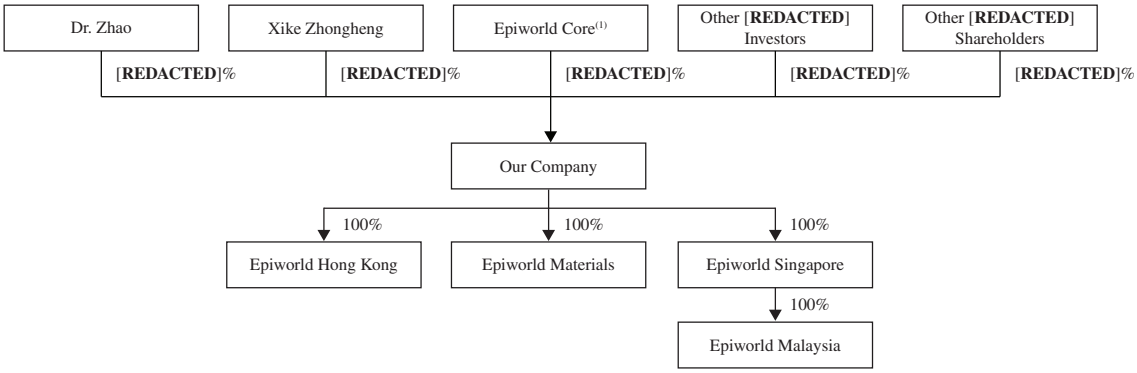


Note:

(1) Please see "— Employee Shareholding Platform" in this section for details.

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

The following chart sets forth our Group's simplified shareholding and corporate structure immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Note:

(1) Please see notes under "— Shareholding and Corporate Structure Immediately Prior to the Completion of the [**REDACTED**]" in this section for details.

OVERVIEW

Who we are

We are a global leader in the silicon carbide (SiC) epitaxy industry. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume, with a market share exceeding 30% in 2024.

Market Leadership

Largest

World's largest SiC epitaxial foundry[1]

First

in the commercialization of 8-inch SiC epitaxial wafer in the open market[2]

Leader

of setting industry standards[3]

Commercial Success

599,700

SiC epitaxial wafers delivered during the Track Record Period

4/5 7/10

Choice of world's top power device providers[4]

Net Profits

of RMB127.5m, RMB107.5m, and RMB165.1m in 2022, 2023 and 2024, respectively[5]

Notes:

1. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume.
2. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers, according to CIC.
3. We led the writing and establishment of the world's first and only Semiconductor Equipment and Materials International (SEMI) industry standard for SiC epitaxy.
4. Four of the world's top five SiC power device providers and seven of the top ten power device providers, by volume, are our customers, according to CIC.
5. In addition, we recorded net profits of RMB118.4 million and RMB21.1 million for the nine months ended September 30, 2024 and 2025, respectively; and adjusted net profits (Non-IFRS measure) of RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.
6. We operate within a specialized segment of the broader global power semiconductor market. Given the complexity, vast scale, and diverse range of participants in the global power semiconductor value chain, our share of the overall market remains relatively limited.

Our deep knowledge of SiC epitaxy technology enables us to stay at the frontline of the SiC epitaxy industry and provide high quality and reliable products to our customers. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers and the first in China to commercialize and mass-produce 3-inch, 4-inch, 6-inch, and 8-inch SiC epitaxial wafers. We led the writing and establishment of the world's first and only Semiconductor Equipment and Materials International (SEMI) industry standard for SiC epitaxy. In 2024, our cumulative sales—combining sales under Turnkey and Consign models—exceeded 164,000 SiC epitaxial wafers. During the Track Record Period, we have delivered a total of over 599,700 SiC epitaxial wafers.

During the Track Record Period, we had 134 customers. Our customers included four of the world's top five SiC power device providers and seven of the top ten power device providers, according to CIC. SiC power devices fabricated using our epitaxial wafers exhibit stable performance in high-temperature and high-power use. Our customers utilize our SiC epitaxy wafers to manufacture their products, typically power devices, for a wide range of downstream industrial applications, such as EVs, charging infrastructure, renewable energy, ESS, as well as emerging applications such as home appliances, AI computing power and data centers, smart grids, and

eVTOL. For example, our products can be adopted in EVs to enable smaller, lighter and more power-efficient devices such as 800V powertrains, particularly in inverters and converters. This application allows high-voltage operations with minimal energy loss for EVs, which translate into longer range, faster charging and reduced cooling demands. During the Track Record Period, we acquired new customers primarily through active market engagement efforts, including participation in industry exhibitions and academic conferences, as well as through customer referrals. Our technical expertise, large production capacity, reliable quality control procedure, consistent delivery, and reliable customer services have earned us long-term recognition and loyalty from customers. These qualities not only strengthen customer retention but also provide us with unique growth opportunities.

Our founder, Dr. Zhao Jianhui, is a renowned scientist with over 35 years of dedicated R&D experience in SiC technology development. He is the first scientist elected as an IEEE Fellow based on significant contributions to the R&D and application of SiC technologies. The expertise of Dr. Zhao and our R&D team formed the core of our technological competitiveness. We successfully developed a proprietary platform for SiC epitaxy, covering the entire epitaxial growth process, including pre-growth preparation, epitaxial growth, cleaning, and inspection.

Among SiC epitaxial foundries worldwide, we achieved reliable performance in terms of product quality, yield rates and consistency. According to CIC, our products lead the industry in key performance metrics for SiC epitaxial products, including epitaxial thickness, doping concentration, epitaxial defect and yield rates. For example, for our Consign service provided to a leading global SiC device manufacturer, the yield rate of our epitaxial wafer products reached 99%. Our success is also demonstrated by our profitability and cash flow in the Track Record Period. In 2024, our revenue, adjusted net profit (Non-IFRS measure) and operating cash flow reached RMB974.3 million, RMB323.5 million and RMB640.6 million, respectively. Since 2024, our financial performance has been adversely affected by competitive market pressures that reduced our selling prices, coupled with weakened demand due to a downturn in our downstream customers' markets.

Industry tailwinds and our opportunities

Amid the global wave of energy revolution, electricity is rapidly replacing traditional fossil fuels, emerging as the driver for electrification and growth in industrial automotive and renewable energy sectors. In this transformative shift, SiC serves as the "intelligent heart" of various power systems utilizing electricity, according to CIC. This is because SiC is a wide-bandgap material with distinct advantages, including high thermal conductivity, high breakdown field strength, and high electron saturation velocity. These properties make SiC capable of high efficiency, high speed and stable power control and processing over a wide temperature range. SiC is replacing silicon (Si) as the dominant material for power semiconductor devices, poised to lead innovation in the coming decades, according to CIC.

The SiC industry is inherently evolving toward a highly specialized division of labor, because of its total addressable market potential and the need for technological excellence and operational efficiency. As the sector expands, companies are increasingly focusing on their core competencies within the value chain, fostering a collaborative ecosystem characterized by specialization. In terms of revenue in the open market, the five largest SiC epitaxial foundries obtained 93.4% of the global market share in 2024, a concentration significantly outpacing the substrate segment and the power device segment, where the top five players in each segment hold a market share of approximately 80%, according to CIC. Within this landscape, the SiC epitaxial foundry markets are poised for significant growth, as power device providers are prioritizing partnerships with third party SiC epitaxial foundries over in-house production, and such trend is becoming more evident since 2021, according to CIC. The SiC epitaxial industry features a high industry ceiling, necessitating focused and specialized competitiveness, as evidenced by the silicon industry where material manufacturing has concentrated among the top companies. The high concentration in the SiC epitaxial foundry markets reflects the superior technical complexity and the critical role across the industry value chain, structurally supporting extensive commercial prospects. While silicon power devices can be manufactured without epitaxy, SiC power devices must be produced with epitaxial layer, enhancing

our value in the supply chain and competitive edge. We, as a global leader in the SiC epitaxy industry, are uniquely positioned to capitalize on this inevitable development. By leveraging our advanced technology, scale advantages, and established reputation in third-party epitaxial wafer supply, we are strategically equipped to capture emerging market opportunities, strengthen client partnerships, and solidify our market share in the rapidly advancing SiC era.

According to CIC, SiC power device market size has reached US$2.6 billion in 2024 and is expected to grow at a CAGR of 39.9% between 2024 and 2029, reaching US$13.6 billion by 2029. This positions SiC as a core material for the upcoming energy revolution and the rise of intelligent industry.

SiC epitaxial wafer is a critical component of the SiC value chain, where its quality is of paramount importance for downstream applications. The manufacturing process of SiC power devices differs from that of traditional Si power devices. SiC power devices cannot be fabricated directly on the SiC substrate; instead, a high-quality single-crystal epitaxial layer must first be grown on the supportive substrate, and various devices are then manufactured on this epitaxial layer. By precisely controlling parameters such as epitaxial layer thickness, doping concentration, and defect density, the quality of the epitaxial wafer can be optimized, improving the yield, performance, and reliability of end devices. In addition, unlike substrates that typically follow unified standards, SiC epitaxy requires customization to meet the specific requirements of end-use applications. The parameters of the delivered epitaxial products must be tailored based on the specifications of the target devices, including various performance parameters such as voltage and switching frequency.

However, according to CIC, the production of SiC epitaxial wafers is still facing several hurdles:

- ***Defect Control***: The epitaxial growth process generates critical defects such as triangular defects and particle-induced defects. Additionally, existing defects in the substrate can propagate into the epitaxial layer, if not properly controlled or eliminated, reducing device yield.

- ***Uniformity and Consistency***: Controlling the thickness and doping uniformity of large-diameter wafers is difficult, leading to inconsistencies in device performance.

- ***High Costs***: Epitaxial growth requires expensive equipment, costly consumables and complex processes, making it one of the most costly segments in the value chain and a key bottleneck for cost reduction.

To address these industry challenges and provide high quality products to our customers, we have developed targeted proprietary technologies. For details, see "— Our Technologies and R&D process."

These innovative technologies have enabled us to produce SiC epitaxial wafers with high uniformity and low defect density. Additionally, we have developed proprietary multi-layer epitaxial technology to satisfy customers' customized needs. Our reliable product quality has earned recognition globally, including "Perfect Quality Award" from one of the top five global SiC power device manufacturers.

The SiC epitaxy industry is characterized by recurring businesses and high customer stickiness due to its stringent requirements, including high technological barriers and reliability standards, strong demand for uniformity and consistency, long certification cycles, and the requirements for stable and continuous supply. As a result, industry participants particularly favor long-term partnerships. For example, according to CIC, the supplier certification cycle in the automotive industry generally exceeds two years. For over 14 years, we have laser-focused on SiC

epitaxy, leveraging our technological expertise and strict quality control to serve a global customer base of SiC power device manufacturers. With stable and reliable delivery of high quality wafers, we have become a trustworthy partner for industry giants and built core competitiveness in the SiC epitaxy sector.

Our technological expertise and comprehensive product portfolio

We have established an industry-leading SiC epitaxial growth technology platform. Through 14 years of dedicated R&D, we have mastered a number of know-hows by tuning and optimizing key parameters of the epitaxial growth process, including growth temperature, reaction pressure, gas flow rate, C/Si ratio and etc. These advancements have enabled us to modify substrates of various qualities to achieve high quality surface conditions for optimized epitaxial growth, minimize defects introduced during epitaxial growth, and enhance the uniformity of epitaxial layer thickness and doping concentration. As a result, we have achieved stable and scalable production of high-quality SiC epitaxial wafers.

We have been accumulating technological know-hows that enabled us to design and modify the key features of epitaxial equipment, which is critical for us to maintain and improve our competitive edge. Drawing on years of experience and expertise, we have developed a deep understanding of SiC epitaxial growth systems, including reaction chambers, heating systems, gas delivery systems, and wafer transfer modules. By optimizing the epitaxy equipment, we achieve large-scale, stable, long-duration, and high-quality epitaxial wafer production. We are equipped with a Class 100 cleanroom and advanced wafer inspection equipments. Every product undergoes 100% inspection, ensuring full control over all parameters and delivering consistent quality to our customers.

Our products cover an extensive range of voltage applications. By offering epitaxial wafers with various thicknesses and doping concentration, we can support SiC power devices operating within a voltage range of 300V to 30,000V. According to CIC, in terms of sales volume, our SiC epitaxial wafers hold a leading position in the industry across the product range corresponding to mainstream SiC power devices.

We have made significant investments in research and development, with RMB258.9 million of R&D expenses during the Track Record Period. We have undertaken and participated in multiple projects focused on SiC-related technological research and production. Furthermore, we have established collaborative R&D partnerships with leading universities, research institutions, and enterprises.

Our achievements and financial performance

According to CIC, we have been the world's largest SiC epitaxial foundry by annual sales volume since 2023, commanding a market share exceeding 30% in 2024. In 2022, 2023, and 2024, we achieved annual cumulative sales of 85,366, 200,603 and 164,433 SiC epitaxial wafers, respectively, through our Turnkey and Consign business models. During the Track Record Period, our cumulative sales have exceeded 599,700 wafers. Notably, in 2024, our 8-inch SiC epitaxial wafer sales exceeded 7,400 wafers, a figure that, according to CIC, places us as a frontrunner globally.

During the Track Record Period, we experienced fluctuations in our revenue since 2024, amounting to RMB440.7 million, RMB1,142.5 million, RMB 974.3 million, RMB808.3 million and RMB535.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Nonetheless, we have consistently maintained profitability, with net profits of RMB127.5 million, RMB107.5 million, RMB165.1 million, RMB118.4 million and RMB21.1 million in 2022, 2023, and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Our adjusted net profits (Non-IFRS measure) for 2022, 2023 and 2024 and nine months ended September 30, 2024 and 2025 were RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million, respectively.

As of September 30, 2025, we held RMB1.8 billion in cash and cash equivalents. Our net operating cash flow has shown consistent annual growth during the Track Record Period, with cumulative net operating cash flows of over RMB1.4 billion. In 2022, 2023, and 2024 and for the nine months ended September 30, 2024 and 2025, our operating cash flows were RMB170.0 million, RMB415.2 million, RMB640.6 million, RMB470.9 million and RMB176.2 million, respectively. Our strong cash reserve and cash generation provide a solid foundation for the expansion of our core business and ongoing technological innovation while enhancing our ability to withstand global macroeconomic and short-term market fluctuations.

OUR COMPETITIVE STRENGTHS

We are a global leader in the SiC epitaxy industry

According to CIC, we have been the world's largest SiC epitaxial foundry by annual sales volume since 2023. In 2024, our market share in the global SiC epitaxy wafer market exceeded 30%. We led the writing and establishment of the world's first and only international SEMI standard for SiC epitaxy—SEMI M092-0423 Specification for 4H-SiC Homo-epitaxial Wafer.

Focusing on R&D and production of SiC epitaxial materials, we have leveraged our substantial first-mover advantage to solidify our leadership in the SiC epitaxial wafer field. Our R&D efforts focused on optimizing technologies for large-size wafers, thick films, high uniformity in thickness and doping concentration, and low defect density. These initiatives continuously enhance our core competitiveness and our position as a global industry leader.

Our production efficiency, yield rate, and product quality metrics are among the best in the industry. According to CIC, our product yield rate reaches over 99%, outperforming industry peers. Through years of innovation and technological development, we have established ourselves as a reliable supplier to the world's leading power device manufacturers, even amidst fierce competition with domestic and international peers. Our SiC epitaxial wafers feature tighter tolerances in thickness and doping concentration, greater uniformity in these parameters, and higher yields. As a result, our key technical specifications of both N-type and P-type SiC epitaxial wafers were able to achieve market-leading performance metrics.

We possess strong R&D capabilities driving technological advancement in the SiC epitaxy industry

We have been committed to advancing SiC epitaxial technology. We have established a comprehensive SiC epitaxy platform, covering the entire process, including pre-growth preparation, epitaxial growth, cleaning, and inspection.

Our R&D team is spearheaded by four leading scientists in the SiC field, and all have served in the Company for over 11 years. As of the Latest Practicable Date, we have led the establishment of one international standard, one national standard, one industry standard, and eight group standards, reflecting our leadership in the SiC field.

We are exploring advanced and innovative epitaxial growth technologies and addressing key industry challenges such as high-voltage epitaxial wafer preparation, process optimization for multi-wafer epitaxial growth equipment, defect control, multi-layer epitaxial growth and trench filling epitaxial growth. For example, in multi-wafer CVD equipment, we have optimized processes including in situ etching, buffer layers, and epitaxial layer growth to reduce defect density. By studying the patterns of doping concentration and thickness variations within a single PM (preventive maintenance) cycle, as well as the changes in process windows after replacing furnace components, we have developed precise process adjustment strategies and rapid recovery methods for each PM cycle. These advancements have enabled large-scale and reliable production of high-quality, high-efficiency multi-wafer CVD equipment.

We have industry-leading production capacity that can be expanded in a disciplined manner to meet the rapidly growing demand from downstream customers

According to CIC, we have industry-leading production capacity that could be scaled in a disciplined manner. We focus on the production of 6-inch and 8-inch SiC epitaxial wafers, with the monthly production capacity of our installed equipment exceeding 50,000 wafers as of Latest Practicable Date. Our capacity closely tracks on customer demand and production schedule. Our scalable production capability allows us to accelerate market penetration, reduce costs, and enhance overall competitiveness through economies of scale.

We are able to maintain stable supply of the equipment and substrates required to expand capacity via our strategic collaborations with our suppliers. We have established long-term partnerships with domestic and international equipment suppliers, actively participating in equipment tuning and providing improvement feedback, ensuring a stable supply of market-leading epitaxial equipment. Additionally, with our validations and endorsements of their products, we have made it possible for multiple 6-inch and 8-inch substrate suppliers to enter the supply chains of major domestic and international power device manufacturers. Because of the unique value we could bring to our suppliers and customers, we have fostered strong, long-term relationships with both our suppliers and downstream power device manufacturers.

We have established a large customer base by hyper focusing on SiC epitaxy

According to CIC, similarly to the traditional Si industry, which has formed clear division of labour after years of consolidation, the trend towards a highly specialized division of labor for the SiC industry is inevitable. The traditional Si industry, after years of evolution, has developed into a highly specialized and segmented structure with efficiency. We believe the trend of specialization will continue and further enhance production efficiency in the SiC material industry. We, based on strategic considerations of technological path and resource allocation, solely focus on the core epitaxial wafer segment. This approach allows us to effectively avoid competition risks with downstream customers through value chain collaboration, enabling us to establish a differentiated path of growth.

We have established a global business network and customer base. During the Track Record Period, we had 134 customers. In China, our products are welcomed by various industry champions. Globally, we supply SiC epitaxial wafer products to leaders in semiconductor power devices. Four of the world's top five SiC power device providers and seven of the top ten power device providers are our customers. We are also among the earliest SiC epitaxial foundries in China to obtain automotive-grade certification IATF 16949. For over seven years, we have been consistently supplying 6-inch SiC epitaxial wafers to automotive product manufacturers.

We are led by a dedicated and seasoned leadership team with strategic foresight

Our management team brings extensive industry expertise and a deep understanding of SiC technology and its applications. Our founder and chairman, Dr. Zhao, has over 35 years of experience in SiC industry, who is the only SiC epitaxial foundry founder solely committed in epitaxial wafer manufacturing in China, among all the founders of epitaxial foundries with volume. He is the first scientist to be elected as an IEEE Fellow for significant contributions to the R&D and application of SiC semiconductors.

Our core management team is composed of multidisciplinary industry leaders with expertise in technology R&D, operations and management. They are capable of driving the formulation and execution of business strategies, full-cycle project management, technology development, capacity planning, market penetration, supply chain management, and customer value enhancement. Their expertise lays a solid foundation for our long-term, high-growth trajectory. Driven by a strong

entrepreneurial spirit and a strong sense of mission, our team is committed to transforming the SiC industry. We are dedicated to R&D and achieving large-scale commercialization of large-size, thick-film, highly uniform, and low-defect-density SiC epitaxial wafers.

OUR GROWTH STRATEGIES

Our mission is to use SiC products to benefit humanity and empower a greener future. We remain committed to innovation, focusing on advancing R&D of SiC epitaxial wafers. We aim to provide top-quality SiC epitaxial products to global customers and to establish us as a world-class SiC giant known for technological leadership, operational excellence, and customer satisfaction.

Sustained investment in R&D to strengthen and enhance our technological leadership

We consider R&D as a critical strategic initiative for our future growth. Our focus on the SiC epitaxy field is unwavering as we continue to address the evolving needs of end customers. Our customers utilize our SiC epitaxy wafers to manufacture their products, typically power devices, for a wide range of downstream industrial applications, such as EVs, charging infrastructure, renewable energy, ESS, as well as emerging applications such as home appliances, AI computing power and data centers, smart grids, and eVTOL. For example, our products can be adopted in EVs to enable smaller, lighter and more power-efficient devices such as 800V powertrains, particularly in inverters and converters. This application allows high-voltage operations with minimal energy loss for EVs, which translate into longer range, faster charging and reduced cooling demands. Through targeted R&D efforts, we aim to enhance product performance and overcome technical bottlenecks.

Specifically, we have been pursuing advancements and improvements in technologies such as composite substrate epitaxy, trench filling epitaxy, multi-layer epitaxy and ultra-thick epitaxy. These continuous efforts could not only drive our R&D but also could further optimize our cost structure. We will continue to focus on developing large-size, high-concentration uniformity, and low-defect-density SiC epitaxial wafers, aiming to deliver high-performance wafers that facilitate the adoption of SiC in downstream applications.

In particular, we plan to utilize our technological strengths to collaborate closely with downstream customers in joint R&D projects, maximizing synergies with industry participants. By maintaining close relationship with customers and understanding their needs, we are well-positioned to seize opportunities in the rapidly evolving SiC industry. This alignment allows us to ensure that our product development efforts are in sync with the strategic goals of our customers, creating shared value. For instance, according to CIC, we were the first company in China to develop trench filling epitaxy technology for superjunction applications. We have also collaborated with our customers to advance composite substrate epitaxy technology and consistently delivered commercialized products. Our multi-layer epitaxy technology has led to consistent, high-volume sales with one of the top five global SiC power device manufacturers. These innovations not only reinforced our position as a technological leader but also established us as a key R&D hub for our downstream partners. Moving forward, we will continue to deepen our collaboration with critical downstream partners to develop new technologies and establish ourselves as a pioneer in the industry.

Expand production capacity with discipline to capture market opportunities

We aim to optimize our production capacity in a timely manner based on market conditions, allowing us to swiftly seize market opportunities while maintaining disciplined capacity expansion. We are the first in the world to achieve the commercial large-scale supply of 8-inch SiC epitaxial wafers, having made several breakthroughs in 8-inch SiC epitaxy technology. An increasing number of 8-inch SiC device manufactures are emerging. Our leadership in 8-inch epitaxy products positions us to capture an expanding and substantial market share. As of September 30, 2025, we have established partnerships with 24 companies worldwide for our 8-inch products.

To prepare for the anticipated market demand for 8-inch SiC epitaxial wafers, we plan to steadily expand our production capacity. This measured expansion will further solidify our leadership in the 8-inch SiC epitaxy market and allow us to seize emerging opportunities in the rapidly developing SiC industry. In particular, we are currently assessing market conditions and customer needs to determine the optimal timing for expanding our SiC epitaxy production capacity overseas. This approach would enable us to better meet the demand of our international customers for diversified supply chain, ensuring that we remain a reliable partner in the global market.

Dual growth engine—penetrate domestic and overseas markets and execute a globalized strategy

We are committed to sustaining growth in both domestic and overseas markets and enhancing our market leadership. Through technological innovation and satisfactory customer service, we aim to further strengthen our collaborations with downstream customers. By aligning with customer needs, we will support their technology upgrades and market breakthroughs. To enhance customer satisfaction and loyalty, we plan to establish technical service centers in key regions. These centers will provide comprehensive, full-lifecycle support—from product development to after-sales service—ensuring that our customers receive seamless assistance.

With 14 years of experience in R&D, mass production and building customer relationships, we have been a leading SiC epitaxial foundry recognized by global industry leaders. We will continue to expand our global sales network for SiC epitaxial wafers, foster partnerships with overseas collaborators, and work closely with top global SiC power device manufacturers to promote the application of our products and technologies globally.

By continuously enhancing our R&D and innovation capabilities, we seek to strengthen customer engagement and loyalty, solidify our competitive edge in the global SiC epitaxy market, and inject momentum into the fast development of the SiC industry.

Enhance and upgrade existing product portfolio to deliver solutions with superior performance and enhanced cost efficiency

To grasp market opportunities and drive innovation, we will closely monitor the iterations of downstream application scenarios and industry development, ensuring timely upgrades of our existing product portfolio. Specifically, we will adapt to the evolving needs of downstream customers by improving and optimizing our current product specifications. This includes developing SiC epitaxial wafers with larger sizes, increased thickness, improved uniformity, and fewer defects, providing customers with a product portfolio featured enhanced performance and high reliability.

In addition, we will continue to refine the manufacturing processes and scale up production with discipline. By building production facilities for SiC epitaxial wafers with high levels of automation and optimally designed spatial layouts, we seek to further optimize the cost structure of production. Ultimately, our goal is to deliver highly competitive and cost-effective epitaxial wafers to our customers.

Attract top talents to enhance our multi-dimensional talent pool

In the technology-driven SiC epitaxy industry, building a strong and professional R&D team is the key for maintaining a technological edge. To this end, we seek to align the career development plans of core R&D personnel with the Company's long-term goals. By leveraging diverse recruitment channels, we seek to bring accomplished graduates and research talents to our R&D team. We are committed to fostering a professional, innovative R&D team with a global perspective, providing reliable talent support for continuous innovation and market expansion in the SiC epitaxy industry.

In addition, for our strategic goals, we plan to prioritize the recruitment of key talent for R&D, production, quality control, and management functions. Our aim is to build a highly efficient and collaborative professional team that strengthens internal coordination and ensures the smooth operation of all departments.

By cultivating an efficient, professional, and stable workforce, we seek to enhance the Company's overall competitiveness, laying a solid foundation for sustainable development and enabling us to thrive in a dynamic market landscape.

OUR PRODUCTS AND BUSINESS MODELS

Overview

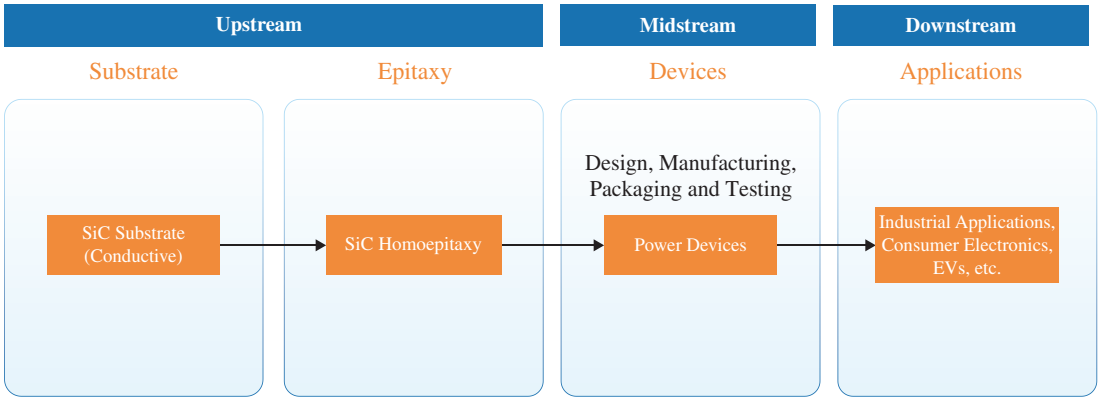
We are a global leader in providing silicon carbide (SiC) epitaxial wafers, the centerpiece materials for semiconductors with wide bandgap. We have been primarily engaged in the research and development, mass production and sales of SiC epitaxial wafers. SiC epitaxial wafers offer a multitude of advantages over traditional Si wafers, including but not limited to enhanced temperature stability, higher breakdown voltage, and superior thermal conductivity. These unique properties make SiC wafers a key enabler of various applications.

According to CIC, we are the first company in China to mass-produce and commercialize a comprehensive set of various sizes of SiC epitaxial wafers, including 3-inch, 4-inch, 6-inch and 8-inch SiC epitaxial wafers. During the Track Record Period, we have delivered an aggregate of over 599,700 of SiC epitaxial wafers, making us one of the largest SiC epitaxial foundries globally, according to CIC. As of the Latest Practicable Date, we supply SiC epitaxial wafers to seven out of the ten largest power device manufacturers globally. To address the different needs of our customers, we offer Turnkey and Consign business models, both of which enable our customers to rely on our cumulative expertise in the production of SiC epitaxial wafers. For details, see "— Our Business Models."

SiC epitaxial wafers are critical for manufacturing high-performance semiconductor devices, offering superior efficiency and thermal conductivity compared to traditional Si wafers. Our customers utilize our SiC epitaxy wafers to manufacture their products, typically power devices, for a wide range of downstream industrial applications, such as EVs, charging infrastructure, renewable energy, ESS, as well as emerging applications such as home appliances, AI computing power and data centers, smart grids, and eVTOL. For example, our products can be adopted in EVs to enable smaller, lighter and more power-efficient devices such as 800V powertrains, particularly in inverters and converters. This application allows high-voltage operations with minimal energy loss for EVs, which translate into longer range, faster charging and reduced cooling demands. For details, see "Industry Overview."

Our Products — SiC epitaxial wafers

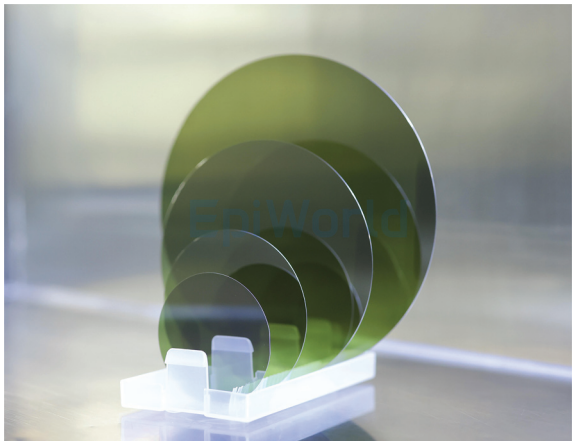
According to CIC, we held the largest SiC epitaxial wafers production capacity worldwide. On the semiconductor supply chain, SiC epitaxial wafers is the cornerstone for bridging innovative raw material with high-performance devices. The SiC industry chain consists of substrates, epitaxy, devices, and applications. Epitaxial wafers grow on substrates and serve as the material platform for devices to be manufactured. The epitaxial layer is a thin layer of SiC crystal grown on a SiC substrate. The following graphic illustrates the key segments of the SiC supply chain.



SiC Supply Chain

The quality of the epitaxial layers — its thickness, doping concentration and defect density — determines the performance, efficiency and reliability of SiC power devices. As a result, SiC epitaxial wafers require highly specialized process to achieve the precise structure needed for semiconductor devices to operate at high voltages, frequencies and temperatures. We have utilized the high-temperature chemical vapor deposition (CVD) method to produce SiC epitaxial wafers with consistent and high quality that could meet the demanding technical requirements of high-performance devices.

The following photo shows samples of our SiC epitaxial wafers.



We offer various sizes of SiC epitaxial wafers, including 4-inch, 6-inch and 8-inch. SiC wafers are typically categorized by size, primarily because the size directly impacts manufacturing efficiency, yield, and production scalability, with larger wafers typically delivering lower cost. During the Track Record Period, 6-inch SiC epitaxial wafers made up the majority of our sales. We also have a first-mover advantage as the first company in the world to mass-produce and commercially supply 8-inch SiC epitaxial wafers in the open market, according to CIC. Although 6-inch wafers currently dominate the market and is expected to grow continuously, the market size for 8-inch SiC wafers is expected to expand significantly. We continue to invest in the R&D and production of both 6-inch to 8-inch wafers, and expect 8-inch wafers to account for a growing share of our sales.

The following table sets forth a breakdown of our sales volume of SiC epitaxial wafers by sizes for the years and periods indicated.

	Year Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	Sales volume	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*
	(pieces of wafers, except for percentages)									
Sales volume										
3-inch	–	–	–	–	–	–	–	–	2	0.0
4-inch	3,733	4.4	610	0.3	383	0.2	318	0.2	1,328	0.9
6-inch	81,633	95.6	199,708	99.6	156,584	95.2	126,648	95.2	137,184	91.9
8-inch	–	–	285	0.1	7,466	4.5	6,057	4.6	10,788	7.2
Total	**85,366**	**100.0**	**200,603**	**100.0**	**164,433**	**100.0**	**133.023**	**100.0**	**149,302**	**100.0**

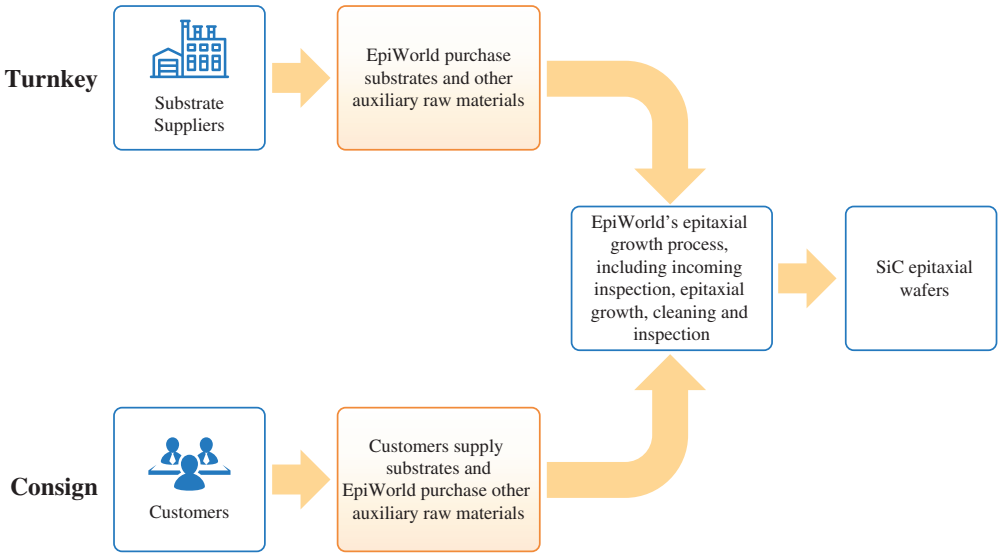
Our sales volume for 4-inch SiC epitaxial wafers decreased from 3,733 pieces in 2022, to 610 pieces in 2023 and further to 383 pieces in 2024. These declines were primarily due to the generational upgrades from 4-inch to 6-inch and 8-inch. Nonetheless, our customers have diverse product portfolios and end-use applications, and the demand for 4-inch wafers remains. Our 4-inch wafers were characterized by ultra-thick films and high voltage ratings. These 4-inch wafers continue to play an important role to our customers, as they are proven to be stable, reliable, and effective for certain power devices and industrial systems. Our sales volume of 4-inch wafers increased from 318 pieces for the nine months ended September 30, 2024 to 1,328 pieces for the same period in 2025 in accordance with specific demands of our customers. Our sales volume for 6-inch SiC epitaxial wafers increased from 81,633 pieces in 2022 to 199,708 pieces in 2023, primarily due to the growth of downstream applications and demands for 6-inch wafers. Our sale volume for 6-inch SiC epitaxial wafers decreased from 199,708 pieces in 2023 to 156,584 pieces in 2024, primarily due to larger stocking of our downstream customers in 2023. Our sales volume for 6-inch SiC epitaxial wafers increased from 126,648 pieces for the nine months ended September 30, 2024 to 137,184 pieces for the same period in 2025. We officially launched 8-inch SiC epitaxial wafers in May 2023 and our sales volume for 8-inch SiC epitaxial wafers increased from 285 pieces in 2023 to 7,466 pieces in 2024. Our sales volume of 8-inch wafers further increased from 6,057 pieces for the nine months ended September 30, 2024 to 10,788 pieces for the same period in 2025. These increases were primarily due to the iterations and upgrades of products, reflecting customers who previously purchased 4-inch or 6-inch products are adopting 8-inch products.

In general, demand for our SiC epitaxial wafers intensifies during the second half of a calendar year, surpassing the first half. This is primarily due to periodic fluctuations in demand for downstream products of SiC epitaxial wafers, which tend to be stronger in the second half of the calendar year. For example, the automotive industry typically sees higher sales volumes as companies push to meet their annual targets, including EVs. This, in turn, leads to inventory depletion and increased procurement of raw materials, including our SiC epitaxial wafers. Similarly, the photovoltaic and energy storage sectors also experience heightened demand in the second half of the year, as manufacturers are more inclined to start power station construction projects, and governments may introduce more favorable policies during this period.

We price our SiC epitaxial wafers based on a number of factors, including (i) the sizes and structures (thickness and doping types) of wafers; (ii) product specifications; (iii) purchase volume and (iv) prevailing market condition and competitive landscape. We regularly adjust our pricing strategies to maintain competitiveness. For customized products, such as specially doped or uniquely thick epitaxial wafers, prices are typically higher. To mitigate the downward price pressure, we intend to maintain and stabilize our price level by providing high-quality epitaxial wafers to high-end industry applications. Furthermore, leveraging our large production scale, we are able to maintain our costs at a competitive level and flexibly adjust our pricing strategy to enlarge our market share.

Our Business Models

We have two kinds of business models, namely Turnkey and Consign, based on whether we purchase substrates on our own or use the substrates provided by our customers, as illustrated by the following chart.



Our customers have the option to choose between the two models or any combination thereof based on their own capabilities and demands. We primarily serve SiC power device foundries and integrated device manufacturers without in-house epitaxy capabilities under our Turnkey model. Direct procurement of epitaxial wafers from us allows them to benefit from a stable, hassle-free, and cost-effective supply of high-quality epitaxial wafers. As the industry value chain continues to mature, epitaxial wafer providers like our Company are expected to maintain a competitive edge in both technology and production capacity, allowing downstream manufacturers to rely on external supply of epitaxial wafers and reducing the need for in-house investment in front-end processes such as epitaxy. On the other hand, customers with in-house epitaxy capabilities, such as global leading power semiconductor manufacturers, typically choose Consign or a combination of Consign and Turnkey, as they were able to secure substrates supply themselves. These customers mainly possess extensive experience and technological know-how in the manufacturing of SiC power devices and modules, along with substantial production capacities and global leading market shares. To ensure a stable supply of epitaxial wafers, they generally allocate a certain portion of their capacity to internal epitaxy production.

Turnkey

Under the Turnkey model, we purchase the raw material including substrates ourselves and upon the completion of production process, deliver the final products, SiC epitaxial wafers, to our customers. The price of our wafer products thereby takes into account the full costs of substrates as well as our production costs. When dealing with customers with large and recurring purchase orders, prices are typically negotiated based on production volume, prevailing market conditions and length of relationships. Through the Turnkey model, we could provide a integrated and convenient solution to our customers, allowing them to rely on our established quality control process.

The following are the salient terms of our contract with customers under the Turnkey model.

- ***Product specification:*** Our contract sets forth the model, requirement, quantity, price and other specifications of the epitaxial wafers ordered by our customers. We are responsible to deliver products conforming to these requirements.

- ***Payment:*** Our contract typically includes a concrete payment arrangement for our customers, such as credit term, payment schedule and method.

- ***Delivery:*** We are responsible to deliver the products to the place designated by our customers within the agreed delivery period, and we are responsible for the cost of packaging and shipping.

- ***Warranty:*** We are responsible to replace non-conforming products if any within the agreed warranty period.

- ***Termination:*** Our customers and us are entitled to terminate the contract upon mutual agreement or fundamental breach of the other party.

Consign

Under the Consign model, our customers supply us with the substrates. We would purchase other auxiliary raw materials, grow the SiC epitaxy and deliver the final epitaxial wafers to our customers. We charge the customers for the auxiliary raw materials and the foundry services for growing SiC epitaxy on substrates. The base processing fee depends on the size, doping type, and thickness of the epitaxial wafer and the additional service fees include charges for special process requirements, and other services. For large-volume orders, we from time to time apply tiered pricing where the larger the order quantity, the lower the unit process fee. Our pricing strategy enhances customer loyalty and increases long-term collaboration opportunities.

During the Track Record Period, we had five major overlapping customers and suppliers. The overlapping customers and suppliers primarily provided to us SiC substrates under our Consign model. For details, see "— Procurement and Supply Chain Management — Overlapping of Customers and Suppliers."

Our contract with customers under the Consign model is generally similar to those under the Turnkey model, apart from the main difference of the provision of substrates. Under the Consign model, our customers are generally responsible to provide and deliver the substrates to us for production. Upon receipt, we inspect the quality and proceed with the manufacturing process according to the contract specifications.

Our customers have the options to choose from our Turnkey model and Consign model, or simultaneously cooperate with us under both models as they see fit. Our manufacturing capacity and flexible business model allow us to adapt to such customized requests swiftly. The following table sets forth a breakdown of our sales volume of SiC epitaxial wafers by types of service for the years and periods indicated.

	Year Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	Sales volume	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*	*Sales volume*	*%*
	(pieces of wafers, except for percentages)									
Sales volume										
Turnkey	31,339	36.7	96,428	48.1	122,283	74.4	92,006	69.2	137,763	92.3
Consign	54,027	63.3	104,175	51.9	42,150	25.6	41,017	30.8	11,539	7.7
Total sales volume	**85,366**	**100.0**	**200,603**	**100.0**	**164,433**	**100.0**	**133,023**	**100.0**	**149,302**	**100.0**

The sales volume under Turnkey service increased from 31,339 wafers in 2022 to 96,428 pieces in 2023 and further to 122,283 pieces in 2024, and increased from 92,006 pieces for the nine months ended September 30, 2024 to 137,763 pieces for the same period in 2025, primarily due to the growth of downstream applications and demands from our customers. Our Turnkey model witnessed a solid growth in 2024, primarily because the yield rate of domestic substrates notably improved compared to earlier years, and customers no longer have to specifically designate substrates for consign services. In addition, our scaled procurement under Turnkey model effectively reduced the substrate procurement costs in comparison with fragmented sourcing by customer themselves. As a result, the Turnkey model has overtaken the Consign model to become our primary source of revenue since 2024. Sales volume for Consign service increased from 54,027 wafers in 2022 to 104,175 wafers in 2023, primarily due to the growth of downstream applications and demands from our customers. The sales volume under Consign service decreased from 104,175 wafers in 2023 to 42,150 wafers in 2024, and decreased from 41,017 pieces for the nine months ended September 30, 2024 to 11,539 pieces for the same period in 2025, due to reduced demand from certain customers under the Consign service, caused by their large purchases in the previous year combined with fluctuations in their business operations. As of the Latest Practicable Date, we have no plans to phase out our Consign service despite the decline in its revenue and sales volume.

The following table sets forth a breakdown of our average selling price by product and by type of services during the Track Record Period.

	Years Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
	(RMB)			
Turnkey	8,863	8,791	6,866	3,508
3-inch	–	–	–	1,770
4-inch	5,140	3,647	4,493	3,027
6-inch	9,360	8,787	6,433	3,209
8-inch	–	21,000	13,620	7,072
Consign	2,898	2,810	2,873	2,073
4-inch	11,854	27,418	2,856	1,789
6-inch	2,891	2,810	2,873	2,032
8-inch	–	–	–	2,862

The average selling price of 8-inch wafers decreased from RMB21,000 to RMB13,620 from 2023 to 2024 and further to RMB7,072 for the nine months ended September 30, 2025. Such decrease was primarily attributable to lower substrate costs. Additionally, during the initial introduction of 8-inch wafers, some products were provided as trial samples free of charge, which temporarily lowered the average selling price. However, the mainstream price for 8-inch wafers remains robust, at above US$1,000. Sales of 8-inch wafers will continue to support our profitability. The increase in the average selling price of 4-inch wafers from 2022 to 2023 was mainly due to customers' customization requirements. These 4-inch wafers were characterized by ultra-thick films and high voltage ratings, making the manufacturing process highly complex.

The following table sets forth the number of customers we served under our Turnkey and Consign models for the years indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
Turnkey	49	58	47	40	99
Consign	11	10	8	7	16
Total	**60**	**68**	**55**	**47**	**115**

Under both Turnkey and Consign models, we provide finished and ready-to-use SiC epitaxial wafers to our customers, and the price is calculated based on the volume of wafers ordered. Thus, we enter into similar contracts with our customers under both models. However, due to the difference in the materials and services involved, we typically charge a higher unit price under our Turnkey model. During the Track Record Period, our sales volumes under the Turnkey model increased, primarily due to our supply chain management capabilities. In particular, we were able to source cost-effective substrates with reliable quality, benefiting from our long-term strategic collaboration with suppliers, rooted in our large-scale production to secure capacity and favorable prices in advance. Our continuous effort in joint technology development with upstream suppliers also provides us with supplies of higher quality and yield rate. Our stable, convenient offering under the Turnkey model helps customers reduce supply chain management costs, shorten lead times, and avoid issues such as raw substrate shortages or inventory backlogs. The number of our customers under Turnkey model increased from 40 for the nine months ended September 30, 2024 to 99 for the same period in 2025, primarily due to our efficiency and qualify of delivery, ability to source and manage supply chain as well as our business development efforts. For our customers, our competitiveness is also rooted in our dedicated focus on the epitaxy technologies that positions us as industry leader under international standards, as well as broad and comprehensive customer base both domestically and internationally, reflecting the wide market acceptance of our products. In 2024, in terms of sales volume in open market, our market share among foundries in the global SiC epitaxy wafer market exceeded 30%, according to CIC, denoting our solid competitiveness for our customers.

RESEARCH AND DEVELOPMENT

We have committed to the R&D of advanced technologies such as low defect density epitaxial growth, high uniformity epitaxial growth, thick-film epitaxial growth and n/p-type epitaxial growth. Additionally, we are currently tackling key industry challenges, including the preparation of ultra-thick epitaxial wafers, development and optimization of deep-trench-filling epitaxial growth, development and optimization of epitaxial growth process on composite substrates, process optimization for multi-wafer epitaxial growth equipment and etc.

We believe that our research and development capabilities are a core competitive strength and have led to our leading position in the industry. As of September 30, 2025, we have 106 full time-equivalent research and development employees. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, we had R&D expenses of RMB43.8 million, RMB101.8 million, RMB80.0 million, RMB62.1 million and RMB50.4 million, respectively. We are a semiconductor materials company and is characterized by high capital intensity and complex manufacturing processes. Therefore, our R&D expense is generally moderate as compared with

design or equipment companies within the semiconductor materials industry. During the Track Record Period, our R&D expenses as a percentage of total revenue experienced a slight decline. Nevertheless, we believe that we can maintain our industry competitiveness by continuously enhancing R&D efficiency and optimizing our innovation strategy. We emphasize effective resource allocation and strategic prioritization to drive meaningful innovation. Our efficient R&D model enables us to achieve product iterations and introduce innovative products without requiring substantial R&D expenses. By emphasizing efficiency and leveraging our industry expertise, we are able to deliver new products while maintaining stable and streamlined R&D expenses. For instance, in December 2025, we achieved a significant milestone with the world's first launch of 12-inch SiC epitaxial wafers, demonstrating our continued ability to deliver innovative products and sustain our competitive edge.

Our research and development team published 16 articles on the epitaxial growth of SiC. We have led the drafting of multiple major standards on SiC epitaxial wafers, as set forth below:

Name of Standard	Standard No.	Issuing Authority	Role in Formulation of Standards	Date of Implementation	Category of Standard
Specification for 4H-SiC homo-epitaxial wafer	SEMI M92-0423	Semi Standards Committee	Primary author	2023.04	International standard
SiC epitaxial wafers	GB/T43885-2024	National Standardization Administration under State Administration for Market Regulation	Unit involved in drafting	2024.11.1	National standard
Acceptance specification for SiC epitaxial wafer of high voltage power devices in the grid system	DL/T 2301-2021	National Energy Administration	Unit involved in drafting	2021.10.26	Industry standard
8-inch SiC wafer reference marking and dimensions	T/CASAS 025-2023	China Advanced Semiconductor Industry Innovation Alliance	Unit involved in drafting	2023.6.19	Group standard
Test method for minority carrier lifetime in SiC – microwave photoconductive	T/CASAS 026-2023	China Advanced Semiconductor Industry Innovation Alliance	Unit involved in drafting	2023.6.19	Group standard
Test method for the content of metal elements on the surface of SiC wafer-inductively coupled plasma mass spectrometry	T/CASAS 032-2023	China Advanced Semiconductor Industry Innovation Alliance	Unit involved in drafting	2023.6.19	Group standard
Specification for SiC homo-epitaxial wafers for power devices	T/CWA 1003-2018	Association of China Wide Bandgap Power Semiconductor Industry	Primary author	2019.01.01	Group standard
The terminology for defects in 4H-SiC substrates and epilayers	T/CASA 004.1-2018	China Advanced Semiconductor Industry Innovation Alliance	Unit involved in drafting	2018.11.20	Group standard
The metallographs collection for defects in 4H-SiC substrates and epilayers	T/CASA 004.2-2018	China Advanced Semiconductor Industry Innovation Alliance	Unit involved in drafting	2018.11.20	Group standard

Name of Standard	Standard No.	Issuing Authority	Role in Formulation of Standards	Date of Implementation	Category of Standard
SiC epitaxial layers – determination of carrier concentration – mercury probe capacitance-voltages method	T/IAWBS003-2017	Innovation Association of Wide Bandgap Semiconductor Technology	Primary author	2017.12.31	Group standard
Method of surface defects for SiC epitaxial wafers	T/IAWBS002-2017	Innovation Association of Wide Bandgap Semiconductor Technology	Unit involved in drafting	2017.12.31	Group standard

Our research and development efforts focus on:

- ***Improving qualities of 6-inch and 8-inch SiC epitaxial wafers.*** Optimize growth processes to reduce epitaxial defects and improve uniformity in doping concentration and thickness.

- ***Development and optimization of thick film epitaxial technology.*** Develop and refine thick-film epitaxial growth processes to address challenges such as long growth times, high defect density, and poor uniformity in doping concentration and thickness.

- ***Evaluation of new epitaxial equipment and development of the epitaxial technology applicable to the equipment.*** Evaluate and validate new epitaxial growth equipment, and develop epitaxial growth processes tailored to the equipment to enable mass production capabilities.

- ***Development and optimization of deep trench filling epitaxial growth.*** Develop and optimize trench filling epitaxial processes to establish a technological foundation for the fabrication of SiC superjunction devices.

- ***Development and optimization of epitaxial growth processes on composite substrates.*** Develop and optimize epitaxial growth technologies for composite substrates to meet the epitaxial requirements of new types of substrates.

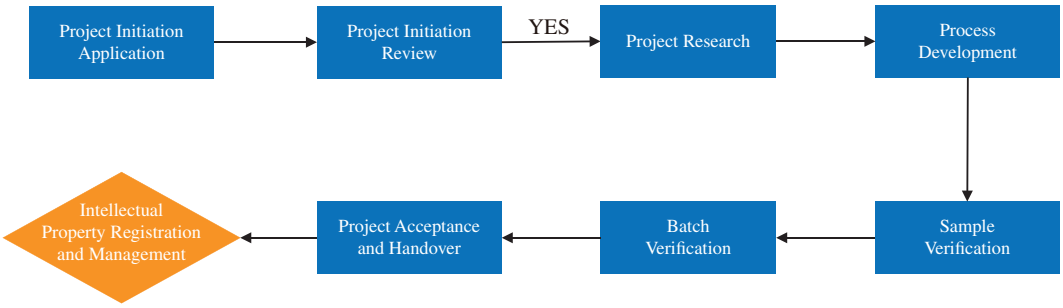
- ***R&D of epitaxial growth technology of ultra-wide bandgap materials for novel power devices.*** This aligns with the evolving trends in the power device industry and aims to advance the state of ultra-wide bandgap epitaxial materials.

Our Technologies and R&D Process

We have established a comprehensive R&D management system which typically involves four stages. First, our R&D team will submit a project initiation application based on industry development and market demand, as well as our existing production technology and long-term development strategy. A review committee will then review the application and conduct a meeting evaluation. After the project initiation application passes the review, a project team will be formed to prepare the project plan. Second, the project team carries out preliminary research and preparation work based on the project plan and formulates the overall technical solution. Third, the project team will engage in sample verification and batch verification processes. They first conduct small-batch trial production to test and verify the stability of the product process. Then the team proceeds to trial production of specific batches, collects test data, and verifies the feasibility of large-scale production. During this stage, the project team would also develop standardized process

workflows and quality control standards. Finally, a project acceptance report will be drafted after the project achieves its R&D goals. Upon approval of the report, the project is handed over to other departments and intellectual property registration and management procedures will kick in if necessary.

The below chart illustrates the phases of our R&D project development process.



We have developed a series of proprietary technologies through our R&D efforts, enabling the successful mass production and commercialization of 6-inch and 8-inch SiC epitaxial wafers. These technologies are the result of our innovations in both design and manufacturing processes. The following chart sets forth some of our technology highlights.

Core Technology	Highlights
8-inch SiC epitaxial wafer production technology	As epiwafer sizes increase, larger surface areas exacerbate temperature and gas flow inconsistencies on the epiwafer. It becomes more challenging to achieve high epitaxial uniformity and low defect density. Through the development and optimization of 8-inch epitaxial growth processes: temperature, pressure, gas flow distribution, growth rate, C/Si ratio, among others, we have successfully addressed the above issues. As a result, the quality of our 8-inch epitaxial wafers has reached internationally advanced level.
BPD-free epitaxial growth technology	Basal Plane Dislocations (BPD) are defects that occur in the basal plane of a crystalline material. According to the mechanism of BPD conversion, the BPD-free epitaxial growth technology is developed by optimizing parameters such as growth temperature, reaction pressure, precursor flow rates, among others. Using this technology, the rate of BPD conversion to TED, a type of dislocation that does not affect device performance, is over 99.9% in the epitaxial growth process. The number of BPD defects is near zero in our epitaxial wafers.

Core Technology	Highlights
High-concentration uniformity epitaxial growth technology	Through precise adjustments of surface thermal field and flow field, and optimization of epitaxial parameters such as C/Si ratio which indicates the proportion of carbon to silicon atoms in the gas mixture used during epitaxial growth of SiC layers, flow distribution, doping content, among others, we have greatly improved the uniformity of doping concentration of epiwafers.
Low defect density epitaxial growth technology	By developing pre-etching and buffer layer technologies for epitaxial growth, we have effectively minimized the propagation of substrate defects into the epitaxial layer and successfully suppressed the formation of epitaxial growth defects. Using this technology, the quality of epiwafers has been greatly improved.
Thick-film epitaxial growth technology	By increasing the growth rate and optimizing the process parameters, we have developed this technology that can achieve an epitaxial layer thickness of over 200 micrometers with only five triangular defects and a low and controlled doping concentration with high uniformity. This is crucial for enabling the fabrication of ultra-high-voltage SiC power devices such as Insulated Gate Bipolar Transistors (IGBTs) and thyristors.

INTELLECTUAL PROPERTY

Since our inception, we have internally developed a variety of intellectual property rights. As of the Latest Practicable Date, we have 40 granted patents, including 15 invention related patents, as well as 20 trademarks in China. See "Appendix V — Statutory and General Information — Further Information About Our Business — Intellectual Property Rights" for details of our material intellectual property rights.

The below table sets forth details of our key invention patents as of the Latest Practicable Date.

Patent Name	Registration No.	Intended Use(s)	Functions	Authorization Date	Expiry Date
A Semiconductor Wafer Compatibility Testing Stage and Method of Use Thereof	ZL201310431685.0	Testing of SiC epitaxial wafers	Improve testing capability	20160629	20330922
A Self-Purification System for a Sealed Reaction Chamber	ZL201510018754.4	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20171013	20350114
A Method for Analyzing Defects in Transparent Materials	ZL201610351566.8	Testing of SiC epitaxial wafers	Improve testing capability	20181127	20360524

Patent Name	Registration No.	Intended Use(s)	Functions	Authorization Date	Expiry Date
A Control Method for Growth of SiC Epitaxial and SiC Epitaxial Wafers	ZL202011344467.X	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20211008	20401126
A Method for Improving Growth Quality of SiC Epitaxial Film	ZL202011420249.X	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20210810	20401208
A Method for Reducing Growth Defects in SiC Epitaxial Wafers and a SiC Substrate	ZL202011581436.6	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20211123	20401228
A Non-Destructive Testing Method for Thickness Measurement of Semiconductor Doping Layers	ZL202110423512.9	Testing of SiC epitaxial wafers	Improve testing capability	20220218	20410420
A Control Method for Growth of SiC Epitaxial	ZL202110813657.X	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20220823	20410719
SiC Step Flow Low-Speed Growth Method for Chemical Potential Regulation Growth Monomer under Non-Equilibrium Condition	ZL202110933959.0	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20230214	20410813
A Method for Reducing Surface Defects of SiC Epitaxial Film	ZL202310896143.4	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20231010	20430721
A Method for Detecting Thickness of SiC Epitaxial Layer in Real Time	ZL202211725302.6	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20231020	20421230
A Method for Reducing Growth Defects in SiC Epitaxial Wafers and a SiC Substrate	ZL202111074030.3	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20240813	20401228
A Method for Detecting Micropipe Defects in a SiC Substrate	ZL202311866853.9	A method of testing SiC substrate	Improve testing capability	20250128	20431229
A process for n-type doped SiC epitaxial growth	ZL202311354763.1	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20250516	20431019
A method for reducing bump defects on the SiC epitaxial film surface	ZL202411925059.1	Growth of SiC epitaxial wafers	Improve the quality of epitaxial wafers	20250808	20441225

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. See "Risk Factors — Risks Related to Our Business and Industry — Our business depends on our ability to protect our proprietary know-how and intellectual property rights."

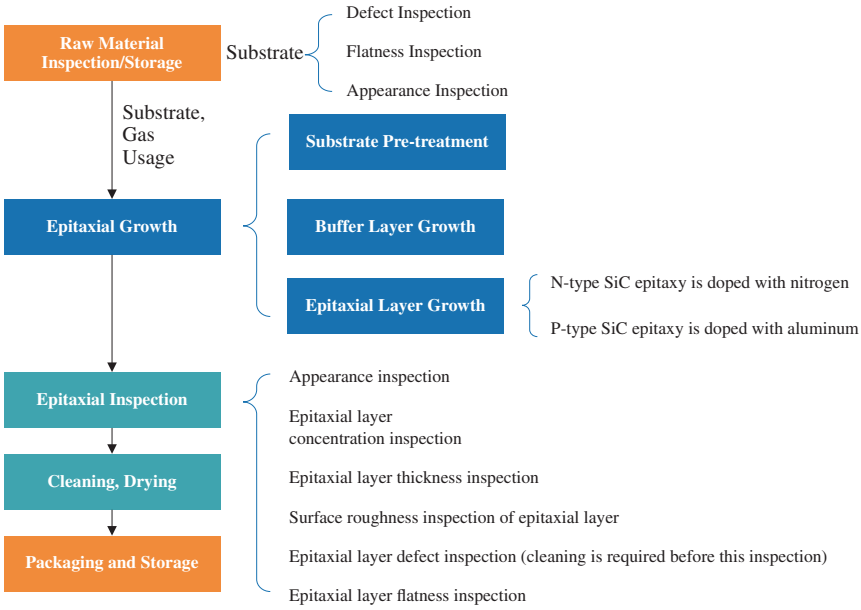
During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings regarding intellectual property rights with third parties.

PRODUCTION

Through years of persistent technological innovation, we have mastered the entire epitaxial growth process, including pre-treatment, epitaxial growth, cleaning, and inspection. By optimizing various parameters of the epitaxial growth process, such as temperature, reaction pressure, gas flow rate, and C/Si ratio, we have developed procedures to reduce defects caused by substrate raw materials and epitaxial growth itself, while enhanced the uniformity of epitaxial layer thickness and concentration, and achieved high yield rates of our SiC epitaxial wafer products.

Production Process

Our production process consists of seven steps, which is illustrated by the following diagram.



Set forth below are details of each key production step:

1. *Raw material inspection*: We inspect parameters such as defects, flatness, and appearance of each substrate, and only those that meet the standards are approved for storage.

2. *Substrate pre-treatment*: The substrate undergoes in-situ etching treatment using hydrogen chloride or hydrogen prior to epitaxial growth. This process improves the surface quality of the substrate, eliminates certain substrate defects, and creates a solid foundation for subsequent epitaxial growth.

3. *Buffer layer growth*: By introducing different gaseous chemical materials into the epitaxy reactor, chemical reactions occur on the surface of the SiC substrate under high temperature and low pressure, resulting in the deposition of a solid-state homo-epitaxial single-crystal thin film on the substrate surface.

4. *Epitaxial layer growth*: Based on doping types, gaseous chemical materials of varying concentrations are introduced into the epitaxy reactor to undergo chemical reactions on the surface of the SiC substrate under high temperature and low pressure. This process deposits a solid-state homo-epitaxial SiC single-crystal thin film on the buffer layer.

5. *Epitaxial inspection*: Upon the completion of epitaxial layer growth, we inspect parameters such as epitaxial layer thickness, concentration, defects, roughness, and flatness. Once the inspection results meet customer requirements, the epitaxial wafer proceeds to the cleaning and drying processes.

6. *Pre-storage cleaning and drying*: SiC epitaxial wafers that pass inspection undergo multiple rounds of cleaning with chemical mixed solutions and deionized (DI) water. After drying, they are processed for storage.

7. *Packaging and storage*: Qualified SiC epitaxial wafers are packaged and stored.

Production Equipment and Machinery

During the Track Record Period, our core production equipment includes epitaxial growth equipment, epitaxial inspection equipment, and cleaning equipment. Our epitaxial growth equipment primarily sourced from global industry leader. As of December 31, 2022, 2023 and 2024 and September 30, 2025, we had 13, 19, 24 and 26 suppliers for core production equipment, respectively. All of our equipment undergoes regular maintenance and servicing in accordance with established standards, ensuring optimal operational performance. During the Track Record Period, no major operational failures have occurred as a result of equipment or facility malfunctions. Depreciation rates are determined based on the asset category, estimated useful life, and expected residual value. The depreciation period for our major equipment ranges from three to ten years.

We purchased high-quality core manufacturing equipment and established a fully integrated SiC epitaxial production line:

Sophisticated Epitaxy Equipment. In the selection of critical epitaxial production equipment, we have primarily procured epitaxial growth reactors manufactured in Europe, including both single-wafer and multi-wafer epitaxial reactors. These reactors are suitable for high-end product development, customized production, and large-scale production, with technical parameters leading the industry.

Advanced Inspection Systems. We have procured industry-leading automated high-precision inspection equipment, enabling 100% measurement and control of all critical epitaxial parameters: thickness and doping concentration, defect density, surface roughness, wafer flatness and metallic contamination.

Fully Automated Cleaning Systems. We implemented "dry-in/dry-out" automated wafer cleaning systems with real-time online process monitoring of both cleaning capacity and cleaning effectiveness to ensure cleanliness of finished products.

Currently, our SiC epitaxial production line is certified by IATF 16949. Our current configuration of epitaxial production, inspection and cleaning equipment has exceeded a monthly production capacity of 50,000 SiC epitaxial wafers as of the Latest Practicable Date, creating synergistic advantages of "high precision—high capacity—high yield" to provide global power device customers with high-quality products and services.

Production Facilities

We currently maintain one production base in Xiamen, China. During the Track Record Period, our production volume reached 88.0 thousand pieces in 2022, 223.0 thousand pieces in 2023, 145.1 thousand pieces in 2024, and 132.0 thousand pieces for the nine months ended September 30, 2025. The table below sets forth details of our production base as of September 30, 2025.

Production Base	Location	Gross Floor Area	Primary Products
		(sq.m.)	
Xiamen production base	No. 196 and No. 198 Shitou East Second Rd, Xiang'an District, Xiamen 361101, China	135,804.7	4-inch, 6-inch and 8-inch SiC epitaxial wafers

Set forth below are the maximum available production capacity, production volume and utilization rates of our production base for the years/periods indicated. We are currently expanding our production base in Xiamen.

	Year ended December 31,									Nine Months Ended September 30,		
	2022			2023			2024			2025		
	Maximum available production capacity[1]	Production Volume[2]	Utilization Rate	Maximum available production capacity[1]	Production Volume[2]	Utilization Rate	Maximum available production capacity[1]	Production Volume[2]	Utilization Rate	Maximum available production capacity[1]	Production Volume[2]	Utilization Rate
Xiamen production base	99.0 thousands	88.0 thousands	88.9%	235.5 thousands	220.6 thousands	93.7%	258.6 thousands	145.1 thousands	56.1%[3]	307.0 thousands	132.0 thousands	43.0%[4]

Notes:

(1) In pieces of wafers. Maximum available production capacity in a period is calculated as the number of reactors in operations multiplied by the maximum number of epitaxial wafers produced by each reactor per day, multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year and 273 days for nine months ended September 30). However, the number of actual operating reactors may be affected by time of equipment installation and tuning.

(2) In pieces of wafers. Production volume refers to the actual epitaxial wafer output in a given period.

(3) Our utilization rate of 56.1% in 2024 was primarily due to expansion of our production capacity and our customers' adjustments of their inventory levels. We are adaptive to changing market conditions and focused on operational efficiency in 2024. We remain committed to monitoring market dynamics closely and responding strategically for future growth.

(4) Expansion of production capacity contributed to the decline of our utilization rate for the period as compared to the year of 2024. We are strategically expanding our capacity and we plan to do so in a disciplined and prudent manner. We operate in an industry with rapid growth. According to CIC, the industry we operate in is expected to grow at a CAGR of 38.2% from 2024 to 2029. Therefore, our current capacity may soon become insufficient to meet rising demand. In addition, expanding early can position the Company to capture a larger market share, stay ahead of the production lead time, benefit from economies of sale, and reduce per-unit costs in the long run. Moreover, we are upgrading our product lines, including introducing new 8-inch production lines, to improve our competitiveness.

SALES AND MARKETING

During the Track Record Period, our SiC epitaxial wafer products were sold worldwide, including Asia, Europe, North America, and others. The table below sets forth the breakdown of our revenue by geographic region, based on the locations of our direct contracting customers, for the years and periods indicated:

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Revenue by region										
Asia[(1)]	275,470	62.5	745,220	65.2	672,429	69.0	543,971	67.3	455,961	85.2
Greater China	167,703	38.1	307,249	26.9	207,656	21.3	161,343	20.0	340,026	63.5
Europe[(2)]	149,339	33.9	323,343	28.3	268,943	27.6	235,014	29.1	64,160	12.0
North America[(3)]	14,083	3.2	73,938	6.5	32,944	3.4	29,265	3.6	14,942	2.8
Others[(4)]	1,800	0.4	–	–	–	–	–	–	–	–
Total	**440,691**	**100.0**	**1,142,502**	**100.0**	**974,316**	**100.0**	**808,250**	**100.0**	**535,063**	**100.0**

Notes:

(1) Asia primarily comprises Greater China, South Korea and Japan.

(2) Europe primarily comprises Austria, Switzerland and the U.K.

(3) North America primarily comprises the U.S.

(4) Others primarily comprises Australia.

During the Track Record Period, our sales were primarily from sales of SiC epitaxial wafers. The following sets forth the salient terms of our standard direct sales agreement:

- *Product specifications.* We specify the products, packaging, brand, quantity, and logistics of shipment in our agreements with customers.

- *Pricing.* We sell our products to customers at mutually agreed price levels.

We engage with channel partners for a small percentage of our sale in Asian markets. According to CIC, facilitating transactions through channel partners are widely adopted and are industry norm in the relevant regions. The channel partners are primarily engaged to complement our sales team and to facilitate transactions in accordance with the distribution trading practice of the region where our end customers are located. By leveraging their local market expertise, established networks, and logistical capabilities, the channel partners help us to accelerate our market entry and reduce operational complexities. Channel partners provide valuable insights into regional regulations, customer preferences, and competitive landscapes, enabling us to focus on core competencies while ensuring efficient market penetration and scalable growth. This strategic partnership mitigates risks, enhances cost efficiency, and strengthens our ability to deliver satisfactory customer service in diverse international markets. In December 31, 2022, 2023 and 2024 and for the nine months ended September 30, 2025, we had three, three, three and three channel partners, respectively. In 2022, 2023 and 2024 and for the nine months ended September 30, 2025, revenue from our channel partners amounted to RMB96.1 million, RMB126.7 million, RMB72.0 million and RMB32.1 million, respectively, representing 21.8%, 11.1%, 7.4% and 6.0% of the total revenue for the respective periods. During the Track Record Period, to the best of our

Directors' knowledge, all of our channel partners were Independent Third Parties. We do not work with sub-channel partners during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we have no material unresolved disputes or lawsuits with our channel partners.

Marketing

We have an experienced and highly trained sales and marketing team, who proactively identify market opportunities and tailor sales strategies. Due to the highly specialized nature of the industry, we often participate in trade shows and industry forums to enhance the awareness of our brand and promote our new and existing products.

Our Channel Partners

We engage independent third-party channel partners to sell our SiC epitaxial wafers to certain regions and markets in Asia, including Taiwan, Japan and South Korea. We believe our channel partners help us effectively execute our marketing strategies specifically tailored to each geographical location with their local customer base and regional market insights. We and our channel partners constitute a seller and buyer relationship, under which we do not pay commissions or make other payments to our channel suppliers. Accordingly, we recognize revenue when our products are delivered to and accepted by the channel partners. We categorize our sales to channel partners under our Turnkey/Consign models according to the choice and arrangement of our channel partners where both models coexist.

During the Track Record Period, we had three, three, three and three channel partners in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively. We generated a minor portion of revenue from our channel partners of RMB96.1 million, RMB126.7 million, RMB72.0 million and RMB32.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively, accounting for 21.8%, 11.1%, 7.4% and 6.0% of our total revenue for the same years/periods, respectively. Our channel partners primarily engage in the trading and sales of semiconductor components and relevant services. We started our business relationship with the channel partners through targeted marketing activities in certain regions by identifying these regional sales network and actively reaching out to seek opportunities of collaboration.

Channel Partner A served five end customers during the Track Record Period, including a semiconductor component manufacturer listed on the Taiwan Stock Exchange, which generated revenue of RMB87.9 million, RMB102.1 million, RMB25.4 million, and RMB10.7 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively, accounting for 93.3%, 90.8%, 47.3% and 45.9% of the total revenue generated from Channel Partner A for the same years/periods, and 20.0%, 8.9%, 2.6% and 2.0% of our total revenue for the same years/periods. Channel Partner B served 11 end customers during the Track Record Period, including a semiconductor device and storage solution provider headquartered in Japan, which generated revenue of RMB0.2 million, RMB9.6 million, RMB5.6 million and nil in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively, accounting for 9.2%, 74.4%, 63.6% and nil of the total revenue generated from Channel Partner B for the same years/periods, and 0.04%, 0.8%, 0.6% and nil of our total revenue for the same years/periods. Channel Partner C served three end customers during the Track Record Period, including a semiconductor device manufacturer listed in the Korea Exchange and London Stock Exchange, which generated revenue of nil, nil, RMB6.2 million and RMB7.7 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively, accounting for nil, nil, 66.0% and 99.9% of the total revenue generated from Channel Partner C for the same years/periods, and nil, nil, 0.6% and 1.4% of our total revenue for the same years/periods. To our knowledge, the following table sets forth certain details of the operations of our channel partners during the Track Record Period.

Channel Partner	Background	Number of End Customers	Background of End Customers	Years of Relationship	Revenue		% of Total Revenue
						(RMB in millions)	*%*
Channel Partner A	A company that engages in the agency businesses of semiconductor supply chain, headquartered in Taiwan and incorporated in 2004	5	primarily Taiwan companies that primarily engage in the sales and production of semiconductor components	9 years	2022	94.3	21.4
					2023	112.5	9.8
					2024	53.7	5.5
					Nine months ended September 30, 2025	23.3	5.1
Channel Partner B	A company that engages in the agency businesses of wafers and semiconductor manufacturing equipment, headquartered in Japan and incorporated in 1998	11	primarily Japanese companies that primarily engage in the sales and production of semiconductor and storage devices	12 years	2022	1.7	0.4
					2023	12.9	1.1
					2024	8.8	0.9
					Nine months ended September 30, 2025	1.0	0.2
Channel Partner C	A company that engages in the sales of wafers and semiconductor materials, headquartered in South Korea and incorporated in 2004	3	primarily South Korean companies that primarily engage in the sales and production of SiC devices used in energy, industrial application and EVs	5 years	2022	0.1	0.0
					2023	1.4	0.1
					2024	9.4	1.0
					Nine months ended September 30, 2025	7.7	1.7

We typically enter into a framework agreement with our channel partners for the sales of our solutions. The following sets forth the salient terms of our standard agreement:

- *Duration*: typically one year, subject to renewal by mutual agreement;
- *Geographical region*: within the agreed areas, typically the region that our channel partner has coverage and expertise;
- *Risk allocation*: all significant risks, including inventory risks, are transferred to our channel partners upon delivery and acceptance, and we retain no ownership control over the products sold to our channel partners;
- *Credit terms*: we generally offer a 30-90 day credit terms upon delivery and acceptance to our channel partners;
- *Product returns and warranty*: our channel partners can only claim for return our products due to our shipping error or quality issues, and we typically provide a warranty period of one year;
- *Product supply*: orders only become effective after our confirmation and we should subsequently respond within reasonable time with sufficient product supply; and
- *Pricing restriction*: our partners shall strictly adhere to our advised prevailing product sales price range provided by us.

A director of Channel Partner B is a family member of one of our shareholders who owns 1.49% equity interest in our Company as of the Latest Practicable Date. Save for such relationship, to the best of our knowledge, all of our other channel partners are independent third parties without other past or present relationships between the channel partners and our Company, Directors, shareholders, senior management, or any of their respective associates during the Track Record Period and up to the Latest Practicable Date.

Customers

We provide SiC epitaxial wafers to power device companies, which then fabricate the wafers into devices for their customers. During the Track Record period, we had served 134 customers. Our customers are primarily global leaders of semiconductor power devices.

Top Five Customers

During the Track Record Period, we generally became acquainted with our top five customers through targeted marketing activities. We locate leading downstream customers with potential to develop technology synergy and long-term collaboration through public information, and our management actively reaches out to seek opportunities of cooperation. We do not set compulsory target volumes for our customers and allow them to adjust their purchase plans according to actual demands. Our sales to the five largest customers in each year/period during the Track Record Period were RMB381.5 million, RMB938.0 million, RMB783.3 million and RMB331.0 million, respectively, and accounted for 86.5%, 82.1%, 81.2% and 61.9% of the total revenue for the respective years/periods. Our sales to the largest customer in each year/period during the Track Record Period were RMB246.6 million, RMB614.6 million, RMB393.6 million and RMB163.0 million, respectively, and accounted for 56.0%, 53.8%, 40.4% and 30.5% of our total revenue for the respective years/periods. According to CIC, given the stringent technical requirements and the critical need for supply chain stability across the downstream semiconductor sectors, power device industry are dominated by limited leading players, which constitute the majority of our customer base. As a result, we maintain deep collaborations with these leading players, leading to our relatively high customer concentration. The fluctuation in revenue generated from our five largest customers during the Track Record Period was primarily attributable to volatile macroeconomic conditions and the cyclical nature of the semiconductor industry. As a result, our customers adjusted their procurement plans against the fluctuation in downstream industries, such as automotive and industry applications, which further impacted our revenue. In particular, the revenue generated from Customer A, Customer B, Customer F, Customer G and Customer H significantly increased from 2022 to 2023, primarily due to wider adoption of downstream applications of SiC power devices, such as EVs and smart grid, as well as our increased production capacity, which enabled us to provide sufficient supply and fulfill large-scale orders. The revenue generated from Customer F and Customer I significantly increased from 2023 to 2024, primarily due to successful product validation and strong recognition from these customers, reflecting their confidence in our product quality, service, and reliable delivery based on our previous cooperation. Revenue from Customer A decreased from RMB614.6 million in 2023 to RMB104.4 million in 2024, and further to nil for the nine months ended September 30, 2025. We believe the decrease in the sales to Customer A is a combined effect of a large inventory backlog carried over from previous years, Customer A's product cycles and its evolving business focuses. At the same time, as it is headquartered in the U.S., we cannot exclude the possibility that evolving tariff and geopolitical conditions adversely affected its purchase decisions. For more analysis on the impact of geopolitical tension, see "Risk Factors — Risks Related to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions." On the basis that revenue generated from the United States only accounted for a minority of our total revenue during the Track Record Period, and considering our continuous effort to expand our customer base, such events would not have a material adverse effect on our overall financial condition or results of operations.

Our customers generally have a relatively long certification and validation cycle for their selected raw material suppliers due to the high safety requirements of the production of their semiconductor products, particularly for automotive-grade products, thereby creating a high entry barrier for potential competitors. Nonetheless, considering the broad-based yet relatively fragmented nature of domestic customer demand and our effort to extend our customer base, as well as the current inventory level of certain of our largest customers, we expect the proportion of revenue from our top five customers to decline, reducing our reliance on their revenue contribution. In particular, the domestic market is characterized by demand arising from a wide range of industries and applications, resulting in a large but relatively fragmented customer base with diverse needs. This structure is primarily due to the broad downstream applications of SiC products and the unique attributes of the industry, which stand in contrast to the global market's high concentration among a few dominant providers. To grow our customer base in the domestic market, we have implemented a systematic customer expansion strategy focused on deepening regional coverage, refining market segmentation, and establishing dedicated teams to address specific industry requirements. By enhancing the competitiveness of our products and solutions, and tailoring our offerings to the needs of both large enterprises and emerging players, we are able to lower barriers to entry for new customers and effectively serve under-penetrated market segments. Furthermore, in light of the elevated inventory levels currently held by some of our major customers and reduced demands from some of these customers, we are strategically prioritizing the acquisition of new customers and the development of high-growth market segments. This proactive approach to expanding into emerging markets and diversifying our customer base is expected to mitigate customer concentration risks and support sustainable growth going forward. Considering the ongoing geopolitical tension and broad market slowdown, we plan to mitigate the risk of deterioration of our relationships with top customers through a series of comprehensive strategies, including actively expanding our customer base, deepening cooperation with existing key customers to enhance business stickiness, continuously investing in innovation to strengthen our core competitiveness, and establishing comprehensive risk monitoring and contingency mechanisms.

Rank	Customers	Type of Products Purchased	Background	Approximate Years of Business Relationship	Revenue	% of Our Total Revenue
					(RMB in millions)	*%*
For the year ended December 31, 2022						
1	Customer A	SiC epitaxial wafers (Turnkey & Consign)	A company that provides intelligent power and intelligent sensing solutions, headquartered in Arizona, U.S., incorporated in 1999 and listed on the Nasdaq Stock Exchange	8 years	246.6	56.0
2	Customer B	SiC epitaxial wafers (Turnkey & Consign)	A company that engages in the agency of semiconductor supply chain, headquartered in Taiwan and, incorporated in 2004	9 years	94.3	21.4
3	Customer C	SiC epitaxial wafers (Turnkey & Consign)	A company that provides turn-key chip solutions focusing on SiC power semiconductor applications, headquartered in Shanghai and incorporated in 2017	6 years	15.4	3.5

Rank	Customers	Type of Products Purchased	Background	Approximate Years of Business Relationship	Revenue	% of Our Total Revenue
					(RMB in millions)	*%*
4	Customer D	SiC epitaxial wafers (Turnkey)	A company that provides automotive integrated circuit chips, headquartered in Shanghai and incorporated in 2017	5 years	14.6	3.3
5	Customer E	SiC epitaxial wafers (Turnkey)	A company that engages in the development and management of microelectronics business, headquartered in Jiangsu, incorporated in 2002 and listed in STAR Market	8 years	10.6	2.4
For the year ended December 31, 2023						
1	Customer A	SiC epitaxial wafers (Turnkey & Consign)	A company that provides intelligent power and intelligent sensing solutions, headquartered in Arizona, U.S., incorporated in 1999 and listed in the Nasdaq Stock Exchange	8 years	614.6	53.8
2	Customer B	SiC epitaxial wafers (Turnkey & Consign)	A company that engages in the agency of semiconductor supply chain, headquartered in Taiwan and incorporated in 2004	9 years	112.5	9.8
3	Customer F	SiC epitaxial wafers (Turnkey & Consign)	A company that provides power system and IoT solutions, headquartered in Neubiberg, Germany, incorporated in 1999 and listed on the Frankfurt Stock Exchange	3 years	94.2	8.2
4	Customer G	SiC epitaxial wafers (Consign)	A company that provides SiC power solutions and materials, headquartered in North Carolina, U.S., incorporated in 1987 and listed on the New York Stock Exchange	3 years	62.7	5.5
5	Customer H	SiC epitaxial wafers (Turnkey)	A company that provides electrified railway equipment and systems, headquartered in Hunan, incorporated in 2005 and listed on the Hong Kong Stock Exchange and STAR Market	9 years	54.0	4.7

Rank	Customers	Type of Products Purchased	Background	Approximate Years of Business Relationship	Revenue	% of Our Total Revenue
					(RMB in millions)	*%*
For the year ended December 31, 2024						
1	Customer I	SiC epitaxial wafers (Turnkey)	A company that provides integrated circuit and semiconductor devices, headquartered in Kyoto, Japan, incorporated in 1958 and listed on the Tokyo Stock Exchange	2 years	393.6	40.4
2	Customer F	SiC epitaxial wafers (Turnkey & Consign)	A company that provides power system and IoT solutions, headquartered in Neubiberg, Germany, incorporated in 1999 and listed on the Frankfurt Stock Exchange	3 years	201.5	20.7
3	Customer A	SiC epitaxial wafers (Turnkey & Consign)	A company that provides intelligent power and intelligent sensing solutions, headquartered in Arizona, U.S., incorporated in 1999 and listed on the Nasdaq Stock Exchange	8 years	104.4	10.7
4	Customer B	SiC epitaxial wafers (Turnkey & Consign)	A company that engages in the agency of semiconductor supply chain, headquartered in Taiwan and incorporated in 2004	9 years	46.4	4.8
5	Customer J	SiC epitaxial wafers (Turnkey & Consign)	A company that provides semiconductor devices and sensors, headquartered in Zhejiang, incorporated in 1997 and listed on the Shanghai Stock Exchange	4 years	37.4	3.8
For the nine months ended September 30, 2025						
1	Customer I	SiC epitaxial wafers (Turnkey)	A company that provides integrated circuit and semiconductor devices, headquartered in Kyoto, Japan, incorporated in 1958 and listed on the Tokyo Stock Exchange	2 years	163.0	30.5
2	Customer F	SiC epitaxial wafers (Turnkey & Consign)	A company that provides power system and IoT solutions, headquartered in Neubiberg, Germany, incorporated in 1999 and listed on the Frankfurt Stock Exchange	3 years	62.7	11.7

Rank	Customers	Type of Products Purchased	Background	Approximate Years of Business Relationship	Revenue	% of Our Total Revenue
					(RMB in millions)	*%*
3	Customer B	SiC epitaxial wafers (Turnkey & Consign)	A company that engages in the agency of semiconductor supply chain, headquartered in Taiwan and incorporated in 2004	9 years	41.1	7.7
4	Customer K	SiC epitaxial wafers (Turnkey)	A company that provides automotive-grade and industrial controlling SiC devices, headquartered in Guangdong, incorporated in 2021	3 years	38.3	7.2
5	Customer C	SiC epitaxial wafers (Turnkey & Consign)	A company that provides turnkey chip solutions focusing on SiC power semiconductor applications, headquartered in Shanghai and incorporated in 2017	6 years	25.9	4.8

As of the Latest Practicable Date, none of our Directors, Supervisors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year during the Track Record Period. As of the Latest Practicable Date, Customer E owns 2.69% equity interest in our Company. Save for Customer E, to the best of our knowledge, all of our five largest customers in each year during the Track Record Period are independent third parties without other past or present relationships between them and our Company, Directors, shareholders, senior management, or any of their respective associates during the Track Record Period and up to the Latest Practicable Date.

Sales To The Five Largest Customers

Our sales to the five largest customers in each period during the Track Record Period were RMB381.5 million, RMB938.0 million, RMB783.3 million and RMB331.0 million, respectively, and accounted for 86.5%, 82.1%, 81.2% and 61.9% of the total revenue for the respective periods. Our sales to the largest customer in each period during the Track Record Period were RMB246.6 million, RMB614.6 million, RMB393.6 million and RMB163.0 million, respectively, and accounted for 56.0%, 53.8%, 40.4% and 30.5% of our total revenue for the respective periods. We actively nurture our relationships with top customers by continuously innovating and enhancing our product and service offerings. We regularly engage in dialogue with our customers to understand their evolving needs, provide customized solutions, and continuously advance our products to meet their technical requirements. For risks related to customer concentration, please see "Risk Factors — Risks Related to Our Business and Industry — A significant portion of our revenue was derived from our major customers in each year/period comprising the Track Record Period. Any decrease in sales from, or loss of major customers may have negative impacts on our results of operations."

We believe our relationships with our top five customers are robust and unlikely to experience any material adverse change or termination, primarily due to our integrated collaboration model that engenders customer stickiness and imposes high switching costs. As our production is embedded into our customers' production workflows and accommodates their customized specifications, replacing us would necessitate an operational overhaul, which involves substantial process restructuring, extensive personnel retraining, and complex system reintegration, leading to

excessive business risk. This stickiness is further reinforced by our joint R&D initiatives and regular technical alignment with our customers where our product roadmap is synchronized with their evolving needs, making us an indispensable partner in their innovation cycle rather than a mere vendor. Moreover, backed by long-term framework agreements and a history of high renewal rates, our position is protected by significant industry barriers and stringent demands of the end-market ecosystem. The industry sectors our customers serve typically require high product stability and consistency, necessitating lengthy certification processes for their suppliers. As our major customers are established stable suppliers to these end-users, they are reluctant to replace us once qualified to maintaining the product quality consistency required by the end-customers. According to CIC, our downstream semiconductor industry demands a rigorous validation cycle of at least one to two years for new suppliers, meaning any attempt to switch would result in prohibitive time-to-market delays and substantial validation costs that effectively lock in our partnership.

We believe that we have built long-standing, strategic partnerships with our top five customers, upheld by our product quality and service standards. Our products and services are integrated into customers' operations, resulting in significant switching costs and operational risks for customers seeking to replace us.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We primarily procure raw materials (such as substrates, gases, accessories, and other materials) and epitaxial growth equipment from qualified suppliers. To meet production needs while maintaining reasonable inventory levels, we have established a comprehensive procurement management system and procedures.

We rely on market feedback and forecasted orders to plan in advance for procurements of key raw materials and submit purchase requests accordingly. We select suppliers from the list of qualified suppliers and finalizes purchase orders through inquiry, price comparison, and negotiation. Our procurement contracts typically specify product specifications and pricings, requirements for packaging and product quality, delivery and payment terms, agreement on product inspection and warranty, term for contract termination, confidentiality, dispute resolution, among others. We mainly source our primary raw materials in the PRC, with 95% domestic procurement of raw materials in 2024.

The following sets forth the salient terms of our arrangements with our suppliers:

- *Product specifications.* We specify the technical specifications of products, packaging, brand, quantity, and price in purchase agreements with our suppliers.

- *Durations.* The duration of the supply agreements typically spans a period of from one month (for a single purchase order) to five years (for framework supply agreements).

- *Payment, credit term and delivery.* The suppliers are typically responsible for the delivery of products to our designated location specified in each purchase order. In terms of payment, we are generally granted by our suppliers a credit term of 60 days.

- *Quality guarantee.* In the event of a quality issue arising during the warranty period, the supplier is obliged to either attend the site or provide a response and resolution within specified periods (ranging from five hours for raw materials to three days for equipment) upon receipt of our notification.

- *Termination.* We are entitled to terminate the purchase order when the supplier fails to perform and does not make timely corrections after receiving our notice.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers.

Top Five Suppliers

Our purchase from the five largest suppliers in each year/period during the Track Record Period were RMB430.3 million, RMB1,342.8 million, RMB376.5 million and RMB220.5 million, respectively, and accounted for 65.4%, 72.1%, 83.3% and 79.1% of the total cost of revenues for the respective years/periods. Our purchase from the largest supplier in each year/period during the Track Record Period were RMB215.3 million, RMB718.7 million, RMB129.4 million and RMB79.2 million, respectively, and accounted for 32.7%, 38.6%, 28.6% and 28.4% of the total cost of revenues for the respective years/periods. According to CIC, given the technical barrier of SiC substrate manufacturing and the limited number of suppliers that are able to deliver substrates with quality and stability, it is industry norm for foundries like us to have relatively high supplier concentration. During the Track Record Period, we generally entered into long-term agreements with our important substrate suppliers to secure necessary supply, which stipulate annual target purchase volumes. We expect the proportion of purchase from our five largest suppliers to remain relatively stable in the next few years. Nonetheless, our purchase from Supplier D decreased from RMB718.7 million in 2023 to RMB37.7 million in 2024, and further decreased for the nine months ended September 30, 2025, primarily because we adopted domestic equipment with better cost efficiency and comparable performance, which will further benefit our production efficiency.

As of the Latest Practicable Date, none of our Directors, Supervisors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year during the Track Record Period. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, each of our top five suppliers are independent from each other. As of the Latest Practicable Date, nothing has caused us to believe that our relationship with our major suppliers will materially deteriorate, and we do not anticipate facing material supply issues in the near future on the basis of our long-term stable strategic collaboration with our suppliers rooted in our centralized procurement policy. However, we cannot assure you that our business relationships with major suppliers will not change in a way that adversely affect us. For details, see "Risk Factors — Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us." To mitigate the risk of any deterioration, we will continue to solidify our strategic collaboration with suppliers and implement a comprehensive supply chain risk alert system. We plan to actively strengthen our supplier management procedures, implement stringent quality control policies, monitor our suppliers' comprehensive performance and maintain stable supplier relationship. In addition, considering the rapid development of our upstream industries such as manufacturing of substrates, which led to additional choices of suppliers with qualities, we believe that we are able to identify new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time in case that our relationship with existing suppliers materially and adversely changed.

Rank	Suppliers	Type of Products/ Services Provided	Background	Approximate Years of Business Relationship	Credit Terms	Purchase Amount	% of Our Total Purchase
						(RMB in millions)	*%*
For the year ended December 31, 2022							
1	Supplier D	Equipment and consumables	A company that provides semiconductor equipment and SMT solutions, headquartered in Netherlands, incorporated in 1968 and listed on Euronext	9 years	installment payment	215.3	32.7
2	Supplier H	Equipment	A company that provides semiconductor equipment and industry gases, headquartered in Shanghai and incorporated in 2010	4 years	installment payment	72.4	11.0

Rank	Suppliers	Type of Products/ Services Provided	Background	Approximate Years of Business Relationship	Credit Terms	Purchase Amount	% of Our Total Purchase
						(RMB in millions)	*%*
3	Supplier A	Substrates	A company that engages in the development, manufacture and sales of SiC single crystal substrate materials, headquartered in Shandong, incorporated in 2010 and listed in the STAR Market	12 years	30 days	58.2	8.9
4	Supplier G	Equipment	A company that provides semiconductor equipment, headquartered in Taiwan, incorporated in 1979 and listed on the Taiwan Stock Exchange	10 years	installment payment	52.2	7.9
5	Supplier F	Substrates	A company that provides metal products, chemical products and machinery accessories, headquartered in Guangdong, incorporated in 1996, whose parent is listed in the Tokyo Stock Exchange	7 years	30 days	32.3	4.9
For the year ended December 31, 2023							
1	Supplier D	Equipment and consumables	A company that provides semiconductor equipment and SMT solutions, headquartered in Netherlands, incorporated in 1968 and listed on Euronext	9 years	installment payment	718.7	38.6
2	Supplier A	Substrates	A company that engages in the development, manufacture and sales of SiC single crystal substrate materials, headquartered in Shandong, incorporated in 2010 and listed in the STAR Market	12 years	30 days	213.1	11.4
3	Supplier C	Substrates and others	A company that provides electronic materials and devices and information system solutions, headquartered in Beijing and incorporated in 2002, who has subsidiaries listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange	4 years	60 days	201.3	10.8

Rank	Suppliers	Type of Products/ Services Provided	Background	Approximate Years of Business Relationship	Credit Terms	Purchase Amount	% of Our Total Purchase
						(RMB in millions)	*%*
4	Supplier F	Substrates	A company that provides metal products, chemical products and machinery accessories, headquartered in Guangdong and incorporated in 1996, whose parent is listed on the Tokyo Stock Exchange	7 years	30 days	116.0	6.2
5	Supplier G	Equipment	A company that provides semiconductor equipment, headquartered in Taiwan, incorporated in 1979 and listed on the Taiwan Stock Exchange	10 years	installment payment	93.7	5.0
For the year ended December 31, 2024							
1	Supplier A	Substrates	A company that engages in the development, manufacture and sales of SiC single crystal substrate materials, headquartered in Shandong, incorporated in 2010 and listed in the STAR Market	12 years	30 days	129.4	28.6
2	Supplier B	Equipment, substrates and consumables	A company that provides semiconductor equipment and substrate materials, headquartered in Zhejiang, incorporated in 2006 and listed on the Shenzhen Stock Exchange	3 years	Equipment: installment payment; Others: 30/60 days	105.5	23.4
3	Supplier C	Substrates and others	A company that provides electronic materials and devices and information system solutions, headquartered in Beijing and incorporated in 2002, who has subsidiaries listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange	4 years	60 days	88.6	19.6
4	Supplier D	Equipment and consumables	A company that provides semiconductor equipment and SMT solutions, headquartered in Netherlands, incorporated in 1968 and listed on Euronext	9 years	installment payment	37.7	8.3

Rank	Suppliers	Type of Products/ Services Provided	Background	Approximate Years of Business Relationship	Credit Terms	Purchase Amount	% of Our Total Purchase
						(RMB in millions)	*%*
5	Supplier E	Gases	A company that develops and provides industry gases, headquartered in Jiangsu and incorporated in 2002, whose parent is listed on the Taiwan Stock Exchange	13 years	30 days	15.4	3.4
For the nine months ended September 30, 2025							
1	Supplier A	Substrates	A company that engages in the development, manufacture and sales of SiC single crystal substrate materials, headquartered in Shandong, incorporated in 2010 and listed in the STAR Market	12 years	30 days	79.2	28.4
2	Supplier B	Equipment, substrates and consumables	A company that provides semiconductor equipment and substrate materials, headquartered in Zhejiang, incorporated in 2006 and listed on the Shenzhen Stock Exchange	3 years	Equipment: upon installment; Others: 30/60 days	62.9	22.6
3	Supplier J	Substrates	A company SiC semiconductor materials, headquartered in Shanxi and incorporated in 2018	3 years	60 days	50.3	18.0
4	Supplier K	Substrates	A company that develops SiC single crystal materials, headquartered in Guangdong and incorporated in 2018	2 years	60 days	15.2	5.4
5	Supplier L	Substrates	A company that develops SiC single crystal substrates, headquartered in Hebei and incorporated in 2012	3 years	60 days	12.9	4.6

Supply Chain and Inventory Management

We believe that we have effectively managed our supply chain during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not encounter any material supply chain issues, enabling us to continuously deliver our SiC epitaxial wafer products to our customers.

We have adopted a rigorous supplier selection process that involves supplier qualification review, material validation, quality system audit, and risk assessment. Only after passing the evaluation can suppliers be included in our "qualified supplier list", thereby ensuring the stability and reliability of the supply chain. Our inventories mainly include raw materials, finished goods, work-in-progress (WIP), goods dispatched, and processing materials for our Consigned services.

We are actively pursuing the following supply chain and inventory management strategies:

- *Long-term agreements and bulk purchasing:* We flexibly adjust our supply chain and inventory management strategies based on market supply and demand conditions. Under the circumstances of supply shortage, we typically enter into long-term agreements with suppliers to lock in prices and supply quantities, and reduce costs through bulk purchasing. In contrast, we do not enter into long-term agreements with suppliers to lock in prices and supply quantities when supply exceeds demand.

- *Supply chain diversification:* We actively seek to expand supplier channels to reduce reliance on a single supplier and enhance the stability of the supply chain. Furthermore, we are promoting domestic substitution for our core production equipment such as epitaxial growth equipment, epitaxial inspection equipment, and cleaning equipment, thereby reducing dependence on imported equipment.

- *Inventory management optimization:* We utilize advanced inventory management systems to monitor inventory levels, ensuring stock remains within a reasonable range and avoiding overstocking or shortages.

- *Market forecasting and flexible adjustments:* We regularly adjust procurement plans based on market forecasts to ensure timely responses to demand fluctuations.

We believe that our operation is not dependent on any particular supplier. During the Track Record Period, we maintained multiple suppliers to avoid over-reliance on any of suppliers and we believe there is no significant difficulty to find suitable substitutes for our suppliers.

During the Track Record Period, our inventory levels fluctuated, reflecting our strategic decision to stock and destock raw materials to effectively accommodate changing market conditions. In order to mitigate the risk of supply chain shortage and ensure our delivery of our own products to our customers in time, we proactively built up our strategic inventories. For the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025, our inventory turnover days were 106.7 days, 115.8 days, 170.2 days and 178.4 days, respectively. Our enhanced inventory management measures have enabled us to effectively monitor and manage our inventory levels. In accordance with these policies, we generally conduct a semi-annual review and record corresponding impairment provisions, resulting in an increase in write-downs at mid-year. Concurrently, we have further optimized our inventory structure by prioritizing the depletion of aged stock. Our inventory aged over one year has decreased significantly compared to early 2025, and the current scale of impairment has improved notably. At the second half of 2025, driven by a substantial increase in sales orders, we strategically increased our reserves of raw materials and finished goods to fulfill current orders and anticipate future sales demand. See "Financial Information — Discussion of Selected Items from the Consolidated Balance Sheets — Assets — Inventories."

Overlapping of Customers and Suppliers

During the Track Record Period, we had five major overlapping customers and suppliers. The total revenue we generated from the overlapping customers and suppliers amounted to RMB357.9 million, RMB791.2 million, RMB180.5 million and RMB68.2 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, respectively, and the purchases from the overlapping customers and suppliers amounted to RMB11.2 million, RMB16.6 million, nil and RMB0.1 million in the corresponding years/periods, respectively. Such overlapping was primarily caused by our Consign model, under which our customers supply substrates to us for epitaxial growth. We will then sell the epitaxial wafers to such customers. See "— Our Products and Business Models — Our Business Models — Consign." Our Directors have confirmed that none of our sales

to and purchases from our overlapping customer and supplier during the Track Record Period was inter-conditional, inter-related or otherwise considered as one transaction. We negotiate the transactions with our overlapping customer and supplier on an arm's-length basis with reasonable and fair pricing terms.

QUALITY CONTROL

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with the regulatory requirements and quality requirements during the entire development, manufacturing, delivery and services processes. We strictly adhere to the requirements of the IATF 16949 management system, implementing rigorous quality control measures and establishing a comprehensive customer feedback and complaint handling process to promptly and effectively address customer concerns. We have mainly implemented the following procedures for quality control.

- **Raw Material Inspection and Selection:** we have established a strict certification process for selecting qualified suppliers and a comprehensive evaluation and introduction process for new raw materials. Additionally, we implemented rigorous material inspection standards. For critical raw materials that have the significant impact on the quality of our final products such as substrates, we would inspect all of the substrates to ensure their quality.

- **Production Process Monitoring:** we have set up key quality control points throughout the production process to enable on-site inspections and monitoring so that we could identify potential issues promptly. Critical parameters and data are recorded in real-time for subsequent analysis and traceability.

- **Product Inspection and Testing:** we have implemented a set of product quality inspection standard, along with nonconforming product and abnormality management standards. We utilize advanced inspection equipment to ensure the accuracy and reliability of testing. Every product undergoes 100% inspection to guarantee the quality of outgoing shipments.

- **Employee Skill Training:** all of our employees undergo rigorous training and pass competency assessments. Additionally, we regularly organize professional skills and quality awareness training to continuously improve employees' quality consciousness and technical proficiency.

- **Quality Records and Management:** we maintain a quality record system to ensure data integrity and traceability. We conduct statistical analysis of quality data to identify potential issues for improvement timely, fostering continuous enhancement of product quality.

Our SiC epitaxial wafer products exhibit stable physical properties and typically do not have a fixed shelf life. If it is determined that the delivered product fails to meet the technical specifications outlined in the agreement with the customer due to quality issues, we offer return or replacement support. In principle, there is no time limit on after-sales service, ensuring maximum effort to maintain strong customer relationships.

During the Track Record Period, we have not experienced significant product returns, replacements, or customer complaints.

DATA PRIVACY AND INFORMATION TECHNOLOGY SYSTEMS

As our customers are power device companies rather than individual consumers, we do not collect personal information from third parties for our research and development purposes. In the course of our research and development, we process data in compliance with the applicable legal requirements and cooperate with qualified partners responsible for desensitizing data and anonymizing personal information to ensure the data security. See "Risk Factors — Risks Related to Our Business and Industry — Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer." for further details describing the data privacy risks associated with our operations.

We enforce IT and data securities compliance measures through the implementation of the Information Security Management Procedure. For technical information, we ensure data security and business continuity by adopting practices such as data encryption, regular audits, and the development of data backup and recovery plans, while regularly identifying and addressing potential risks. For customer data management, we implement commercial information protection measures and access control mechanisms to effectively safeguard customer data.

During the Track Record Period and up to the Latest Practicable Date, we have not received any claim from any third party against us on the ground of infringement of such party's right to data and privacy protection as provided by any applicable laws and regulations in the PRC. See "Risk Factors — Risks Related to Our Business and Industry — We may be subject to claims by third parties for intellectual property infringement."

Through continuous improvement of our information systems, we have extended the construction of these systems to cover research and development, sales, production, quality, supply chain, and other operational departments. This ensures strong support for the Company's rapid growth and swift response to market changes. Below are our key information systems.

- *ERP System.* We deploy ERP system as an integrated platform for financial, sales, procurement, and production processes, ensuring smooth collaboration among the core business departments that form the foundation of the Company's operations.

- *Manufacturing Operations Management System.* We deploy Manufacturing Operations Management system which includes multiple modules such as MES (Manufacturing Execution System), WMS (Warehouse Management System), and PMS (Predictive Maintenance System). Through real-time data collection and transmission, we ensure effective control over the production process, timely delivery of production tasks, real-time monitoring of process yield rates, and strong assurance of product quality.

- *CIM System.* The CIM system we have deployed encompasses subsystems such as EAP (Equipment Automation Program), FDC (Fault Detection and Classification), SPC (Statistical Process Control), and RMS (Recipe Management System). These subsystems, in conjunction with the manufacturing operations system, efficiently manage automated production equipment. By predicting equipment failures through data analysis, coordinating production tasks with equipment control, and minimizing manual intervention in the production process, we have significantly enhanced production efficiency and product quality.

- *HR System.* We use HR system to manage the Company's organizational structure, employee attendance, recruitment, training, and performance, ensuring scientific and efficient overall management of the Company's human resources.

- *OA System.* We use OA system to implement the Company's management system and process, so that various departments can carry out compliance and efficient cross-department and cross-team collaboration in daily collaboration, which greatly improves the overall operational efficiency of the Company.

During the Track Record Period and up to the Latest Practicable Date, we did not experience significant IT system failures or outages that adversely affected our business operations.

COMPETITION

The SiC epitaxy industry in which we operate is highly competitive and rapidly evolving with technological innovations, changes in customer demands and preferences, frequent introduction of new products and application fields. We face intense competition with other leading players in various aspects of our business, including product design, manufacture and consumer experience. See "Industry Overview." See "Risk Factors — Risks Related to Our Business and Industry — We face substantial competition."

We believe that we have established our competitive moat. We possess extensive R&D expertise and large-scale production experience, and we continue refining our SiC foundry technology to deliver top-tier SiC epitaxial wafers. Furthermore, we have established stable collaborations with leading semiconductor companies and reputable suppliers, which allows us to consistently strengthen our market share.

EMPLOYEES

As of December 31, 2022, 2023 and 2024 and September 30, 2025, we employed an aggregate of 402, 833, 592 and 532 full-time employees, respectively. The number of our full-time employees increased from 402 as of December 31, 2022 to 833 as of December 31, 2023, primarily because we experienced continuous business expansion and capacity ramp-up, leading to an increase in our business scale and staff. The number of our full-time employees subsequently decreased to 592 as of December 31, 2024 and 532 as of September 30, 2025, primarily attributable to our ongoing efforts in digitalization and automation, as well as the introduction of more efficient equipment, leading to significant improvements in overall work efficiency. These efforts reduced demand for staff and labor, especially for production related functions. The following table sets forth a breakdown of the number of our employees as of December 31, 2022, 2023, and 2024, respectively, by work function.

	As of December 31,			As of September 30,
	2022	2023	2024	2025
Research and Development	67	141	124	106
Production	289	627	400	356
Sales and Marketing	7	7	11	13
General and Administrative	39	58	57	57
Total	**402**	**833**	**592**	**532**

Substantially all of our employees are based in the PRC. Our success depends on our ability to attract, retain and motivate qualified personnel, and we have adopted high standards and strict procedures in our recruitment, including campus recruitment, online recruitment and internal referral. We recruit employees based on their educational background, relevant experience in similar positions and professional qualifications, as well as our expansion strategy and job vacancies. We offer competitive compensation for our employees. In addition, we provide bonus regularly to employees who make contributions to our technological innovation. Also, for those

with outstanding work performance, we reward them with higher compensation or promotion. We also enhance the development of corporate culture and employee engagement by organizing various activities and trainings to enrich employee's professional skills, boost morale, and improve the work environment.

We entered into confidentiality and non-compete agreements with all employees. These agreements stipulate that employees must maintain lifelong confidentiality regarding the Company's trade secrets and that intellectual property created by employees during their tenure belongs to the Company. We also enforce non-compete clause with employees with access to the Company's core technologies and trade secrets. Under this clause, employees are prohibited from joining competing companies operating in the SiC industry chain for a period of two years after their departure. During this non-compete period, the Company provides monthly compensation.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund.

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Pursuant to PRC regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees based in China. We also purchase supplemental employer's liability insurance to cover generic risks that may arise from our ordinary course of business and property insurance to safeguard our property and mitigate risks of various accidental losses. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See "Risk Factors — Risks Related to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to fostering sustainable practices, promoting social responsibility, and maintaining strong governance standards, reflecting our dedication to Environmental, Social, and Governance ("ESG") principles. We have established environmental and occupational health and safety management systems, as well as a production safety system. We have developed a comprehensive set of policies and procedures covering aspects including environmental protection, production safety, employee welfare, and anti-corruption efforts.

As our clients increasingly emphasize the importance of ESG management, many of them have integrated ESG-related criteria into the compliance audits of our production operations. The audit processes include online reviews, completion of ESG checklists, and CSR checklists. During compliance audits conducted by our clients, the ESG-related evaluation typically encompasses areas including environmental management, greenhouse gas emissions, energy use, ethical business practices, legal compliance, labor rights, human rights, and occupational health and safety. There has not been any material adverse findings from our customer compliance audits on our Group as of the Latest Practicable Date. Our operations and facilities comply with extensive environmental, health, and safety laws and regulations. These include the management of hazardous materials and the disposal of hazardous and harmful waste produced by our facilities. We also actively reduce energy consumption and waste generation by upgrading production processes. We are committed to creating a positive work environment for all employees. We place significant emphasis on employee

safety and welfare. We regularly conduct relevant skills training for our employees to enhance workplace safety. We have introduced independent directors into our board to oversee the effective implementation of our corporate governance initiatives.

ESG Governance

We are fully aware of our responsibilities to promote corporate social responsibility and integrating it into all major aspects of our business operations. We are committed to complying with ESG reporting requirements and we strive to carry out our business in a manner that protects the environment and the health and safety of our employees and we plan to establish a committee specifically tasked with the implementation of ESG-related measures. To effectively manage ESG issues, we plan to establish a set of ESG policies, in accordance with the standards of Appendix C2 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities, (ii) ESG strategy formation procedures, (iii) ESG risk management and monitoring, (iv) the identification of key performance indicator ("KPI") and (v) the relevant measurements and mitigating measures. Our Board of Directors will be responsible for ESG decision-making, governance and supervision. This includes, among others, (i) the formulation and revision of ESG strategies, framework and policies; (ii) the assessment, management and control of ESG risks; (iii) the review of ESG objectives and evaluation of the implementation of ESG objectives; (iv) the examination of the ESG management systems and reports; and (v) the provision of oversight and guidance on ESG matters. Our Board of Directors serves as the highest governance body concerning ESG matters. We have dedicated personnel responsible for identifying applicable laws, regulations, and industry standards. Their focus encompasses a range of ESG risks, including environmental protection, production safety, employee welfare, anti-corruption, and community engagement. We have adopted a comprehensive set of ESG policies in accordance with the standards set forth by the Listing Rules. This includes, but is not limited to, our "Corporate Environmental, Social, and Governance Management Manual" and "Corporate Social Responsibility Management Policy." We have also established an "Environmental and Occupational Health and Safety Management System," which is certified under the ISO 45001 standard.

Through regular ESG-related training, we seek to promote and provide guidance on ESG-related knowledge to all employees and the management. The Board will supervise the preparation of our ESG reports and conduct a thorough review of these reports. We plan to develop a set of ESG strategies. These procedures include formulating plans that clearly define the measures to be taken, responsible personnel, timelines and the metrics for evaluating goal achievement, as well as inspections conducted from time to time to promptly correct any issues identified and report on the implementation status of the plans. In addition, we are committed to transparency in our ESG performance. Our ESG goals and metrics will be disclosed in the annual ESG reports, providing stakeholders with information on our progress and performance.

ESG Risk Identification, Assessment and Management and Opportunities

We regularly assess ESG-related risks and our Board remains well-informed of the major risks faced by the Company and the current status of risk management, enabling it to make effective risk control decisions and to consider and approve the risk assessment of major decisions and solutions to major risks, all while maintaining effective control over various operations and matters within an acceptable level of risk tolerance. Regarding the materiality assessment process and factors, we place great emphasis on the control of ESG risks and the enhancement of our governance framework and management mechanisms. Specifically:

- We take a comprehensive approach to consider the interests of various stakeholders, including employees, investors, customers, suppliers, and community members. We are committed to creating a safe, equal, and respectful working environment for our employees, implementing standardized safety production practices, and conducting

regular safety education and training. We actively respond to ESG-related concerns from investors and customers, incorporate ESG factors into the evaluation and assessment of suppliers, and fulfill our social responsibilities.

- We continuously monitor and assess environmental and climate-related risks that may affect our business, strategy, and financial performance.

- Upholding the principles of sustainable development, we actively fulfill our environmental responsibilities. Through our comprehensive environmental management system, stringent pollution control measures, and ongoing investment in environmental protection, we have achieved significant results in environmental governance. This includes effective waste management, control of emissions, risk management related to environmental factors, and greenhouse gas emissions management. We have designated personnel responsible for collecting and analyzing pollutant emission indicators during production processes and tracking improvement outcomes.

- In addressing climate change, we have implemented a series of initiatives aimed at optimizing our energy structure, enhancing energy efficiency, promoting green office practices, and strengthening our carbon footprint management.

The following section sets out our assessment of actual and potential ESG-related risks:

Environmental Risks

Natural disasters, public health emergencies, or other unforeseen events pose risks to our operations. These events could disrupt production and supply chains, leading to potential financial losses and operational downtime. See "Risk Factors — Risks Related to Our Business and Industry — We may be subject to natural disasters, health epidemic, acts of war, terrorism or other factors beyond our control." Water resources, particularly ultrapure water, are critical for the production of SiC epitaxial wafers, and any shortages could severely hinder our production capabilities. Additionally, the implementation of more stringent waste disposal requirements may increase the likelihood of environmental pollution and regulatory violations, which could result in hefty fines and reputational damage.

Climate-Related Risks

Our production facilities are exposed to physical risks from extreme weather events such as typhoons and heavy rains. These extreme weather conditions can cause power outages, flooding, and other disruptions, which could lead to safety issues, forced suspension of research and production activities, and increased operating costs. The impact on our production capabilities could be significant, potentially causing delays and financial losses.

In addition, guided by the principles of the Task Force on Climate-related Financial Disclosures (TCFD), we assess climate-related risks over short-term (0-3 years), medium-term (3-10 years), and long-term (10+ years) periods to inform our planning.

Short-term physical risks, driven by climate change, include extreme weather events like typhoons, heavy rainfall, flooding, and rising temperatures, pose threats to our production facilities, supply chain stability, and operational continuity. Over the medium term, rising sea levels and extended heatwaves may require costly upgrades or relocation of facilities, with energy costs potentially increasing due to higher cooling demands. Looking further ahead, long-term climate shifts could disrupt raw material availability, particularly for water-intensive processes, potentially reducing production capacity by 10-15% by 2040 if not addressed. Transition risks, stemming from the global move toward a low-carbon economy, present additional challenges through changing regulations, investor expectations, and customer preferences.

In the coming years, new ESG-related rules, such as carbon taxes, could increase annual operating costs with non-compliance risking fines and production delays. Over the medium term, heightened investor focus on ESG performance could raise our cost of capital by 1-2% if we fall short of sustainability standards, while shifting consumer demand toward sustainable products may lead to a revenue drop by 2030 if we fail to adapt. In the long term, achieving carbon neutrality to meet net-zero goals may require heavy investment to transform production processes, with the risk of obsolete infrastructure. We actively track national and global regulatory changes, compare our ESG performance to industry peers, try to stay ahead of these challenges.

Growing scrutiny of our ESG performance by regulators, investors, and customers may expose us to transition risk. The ongoing implementation of ESG-related regulations is elevating the expectations for corporate practices and disclosures in areas such as emissions and resource utilization. Investors are increasingly prioritizing ESG principles, incorporating corporate ESG performance into their decision-making processes. Meanwhile, our customers are becoming more aware of ESG impact, favoring products that incorporate sustainable elements in their design and production. See "Risk Factors — Risks Related to Our Business and Industry — We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, which may increase our operational costs and our risk of non-compliance. Compliance with evolving regulations may also cause delays in our production."

Regulatory Risks

Compliance with PRC laws and regulations related to environmental, safety, and occupational health matters presents social risks. Maintaining strict compliance is essential to avoid legal issues and ensure the safety and well-being of our employees and communities. Failure to fully adhere to these regulations can lead to substantial fines or other liabilities, and adversely affect our business, financial condition, and operating results. See "Risk Factors — Risks Related to Our Business and Industry — We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, which may increase our operational costs and our risk of non-compliance. Compliance with evolving regulations may also cause delays in our production."

Goals and Measures

To mitigate the identified risks, we have established quantitative targets and implemented various measures aimed at reducing the environmental, social, and climate-related impacts on our business. Our quantitative targets for 2030 include a 5.0% reduction in energy consumption and in water consumption per wafer compared to 2024.

We plan to establish internal procedures and collaborate with third parties to monitor changes in ESG-related laws and regulations, assess their applicability, and ensure our adherence to the relevant requirements. We have incorporated environmental criteria into our supplier selection process to ensure alignment with our policy on energy saving, emission reduction and clean production. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties for non-compliance with relevant regulations on environmental, social and governance.

Environmental Protection

Our business operations comply with the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Energy Conservation and various present laws and regulations on environmental protection promulgated by the PRC regulatory authorities which have material effects on our operations.

We have adopted an environmental evaluation and control policy as the foundational document for our environmental management, guiding our internal environmental management practices and signifying our commitment to external stakeholders. We plan to formulate additional internal policies to facilitate environmental protection practices in our everyday operations.

Unless otherwise specified, the scope of our report on environmental protection performance indicators covers the Company and our wholly-owned subsidiary, Epiworld Materials.

We pay close attention to resource consumption, greenhouse gas emissions and waste disposal in our operations, and we actively seek to optimize our business and production processes to manage the environmental and climate-related risks.

- *Resource consumption.* We primarily utilize resources such as energy, water, paper, and packaging materials in our daily operations. We actively promote energy saving and consumption reduction to reduce resource usage. The following table sets forth a breakdown of the consumption of energy, water, paper, and packaging materials during the years indicated:

	Years Ended December 31,		
	2022	**2023**	**2024**
Energy consumption *(MWh)*	16,456.86	44,031.40	43,390.16
Energy consumption intensity *(MWh per employee)*	38.54	52.86	73.29
Water consumption *(m^3)*	99,636.77	288,091.67	300,221.00
Water consumption intensity *(m^3 per employee)*	233.34	345.84	507.13
Paper consumption *(tonne)*	0.0011	0.0013	0.0016
Paper consumption intensity *(tonne per employee)*	2.57	1.58	2.74
Packaging materials *(tonne)*	6.11	14.29	13.29
Packaging materials intensity *(tonne per employee)*	0.01	0.02	0.02

- *Greenhouse gas emission.* Our Scope 1 emission represents direct GHG emissions generated from the use of gasoline from the Company's vehicles. Our Scope 2 emission represents indirect GHG emissions generated from the use of purchased electricity. Our Scope 3 emission represents other indirect GHG emissions generated from paper disposal, business air travels, water consumption and sewage treatment. Committed to reducing environmental impact through better service provision, product selection, and usage, we have adopted systematic polices on the management of GHG emissions, in accordance with relevant laws and regulations as well as our business operation. For Scope 1, we implement policies of effective resource use by exploring opportunities of less fuel consumption in any manufacturing process. For example, we encourage our employees to actively participate in energy conservation, resource recycling, and other initiatives to promote sustainable development. For Scope 2, we have energy conservation guidance to reduce related emissions. For example, we recommend turning off office lights when not in use and maximize the use of natural light whenever possible. We also encourage our employees to set computers and monitors to enter power-saving or sleep mode and unplug electrical appliances when not in use. For Scope 3, we are committed to actively promoting sustainability principles in each aspect of our operations, including supply chain management and our daily activities to contribute to the sustainable development of our industry. We actively promote the best environmental

management practices within the industry, sharing experiences and achievements with peers. The following table below sets forth a breakdown of our Scope 1, Scope 2, and Scope 3 emissions for the years indicated:

	Years Ended December 31,		
	2022	2023	2024
Total GHG emission *(tonne of CO_2 equivalent)*	11,054.71	46,931.67	63,570.63
Scope 1 *(tonne of CO_2 equivalent)*	201.82	700.68	463.30
Scope 2 *(tonne of CO_2 equivalent)*	10,040.33	26,859.74	26,463.92
Scope 3 *(tonne of CO_2 equivalent)*	812.55	19,371.25	36,643.41
Total GHG emission intensity *(tonne of CO_2 equivalent per employee)*	25.89	56.34	107.38

- *Waste disposal.* The wastes generated in our daily operations include air emissions, hazardous waste and non-hazardous waste. Our air emissions comprise mobile fuel emitted from our vehicles in 2023 and 2024. Our hazardous waste includes lubricant oil, HW49, and HW13, all of which are handled by incineration. Our non-hazardous waste includes industrial waste such as construction waste, material and facility equipment packaging, and others. Our non-hazardous waste is collected and transported by vendors and ultimately incinerated. To ensure that our waste disposals are compliant with relevant laws and regulations, we engaged third-party testing agencies to conduct evaluation. The following table sets forth a breakdown of the wastes generated during the years indicated:

	Years Ended December 31,		
	2022	2023	2024
Air emissions			
Nitrogen oxides *(kg)*	–[1]	1.27	1.72
Sulphur oxides (kg)	–[1]	0.25	0.34
Particulate matter *(kg)*	–[1]	0.09	0.13
Hazardous waste *(tonne)*	6.91	457.81	696.69
Hazardous waste intensity *(tonne per employee)*	0.02	0.55	1.17
Non-hazardous waste *(tonne)*	–[2]	66.68	29.80
Non-hazardous waste intensity *(tonne per employee)*	–[2]	0.08	0.05

Notes:

(1) There are no records available for air emissions in 2022 as we did not retain data for mobile fuel used during that year.

(2) There are no records available for non-hazardous waste in 2022.

Metrics and Targets

We employ a set of metrics, targets and measures to assess and manage the environmental risks impacting our business. These efforts are aimed at reducing the consumption of energy and water, thereby mitigating the environmental footprint of our operations.

Metric	Target	Timeline	Measures
Energy consumption and density	We aim to reduce energy consumption by 5.0% per wafer compared to 2024 levels.	By December 31, 2030.	To achieve this target, we plan to develop internal policies and systems to standardize our use of energy. Furthermore, we have adopted energy saving measures such as maintaining optimal air conditioning temperatures, advocating the rational use of lifts, and promoting the use of energy-efficient appliances. We also require employees to switch off lights and electronic devices when they leave, and continuously carry out campaigns and activities on energy-saving skills, energy saving behaviors and other topics related to environmental protection for the purposing of encouraging employees to jointly create a green office environment.
Water consumption and density	We aim to reduce water consumption by 5.0% per wafer compared to 2024 levels.	By December 31, 2030.	To achieve this target, we have implemented water saving projects and relied upon storage systems to recycle and reuse water. We have also formulated internal policies and systems to utilize and manage water resource in a sustainable manner. Additionally, we require employees to close faucets after use, and we have put up water saving reminder labels to raise our employees' water saving awareness.
GHG emission	We aim to reduce GHG emission by 10% in Scope 2 compared to 2024 levels.	By December 31, 2030.	To achieve this target, we have formulated formal emission reduction policies related to utilizing green electricity sources and upgrading certain lighting facilities in our plants to reduce energy consumption.
Waste disposal	We aim to reduce non-hazardous waste disposal by 10% compared to 2024 levels.	By December 31, 2030.	To achieve this target, we plan to implement strategies to reduce waste generation during our business activities, such as increasing material recycling rates and promoting low-carbon disposal methods.

Social Responsibility

Employment and Care

We are committed to creating a diverse, equal and positive work environment and development platform for our employees. Our workforce comprised 402, 833, 592 and 532 dedicated employees as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively. For further details on employment, see "— Employees".

We strictly comply with the Labor Law of the PRC, the Labor Contract Law of the PRC and the Provisions on Prohibition of the Use of Child Labor and other pertinent laws and regulations. We established comprehensive policies, including the (i) Employee Manual, (ii) New Hire Management Policy, (iii) Business Code of Conduct, and (iv) Whistle-blower Protection Management Policy, to guarantee that our employment practices are both lawful and compliant.

We are guided by the principles of openness, fairness and justice and provide equal opportunities to all employees and job seekers. We hire employees based on their merits, following the principles of lawfulness, fairness, equality, voluntariness, consensus, honesty and credibility. We have established a series of key employment policies, including the "Employee Handbook," "Recruitment Management Regulations," and "Corporate Social Responsibility Management," to ensure that all employees receive equitable treatment in areas such as hiring, compensation, training opportunities, promotions, terminations, and retirement. We strictly prohibit discrimination based on ethnicity, race, nationality, religion, gender, age, or any other status. We have implemented the "Training Management Procedure," which outlines requirements for employee onboarding, pre-job training, and on-the-job training. This ensures that employees receive comprehensive training to acquire the skills necessary for their roles. Additionally, our "Employee Promotion Management Regulations" clearly define the promotion criteria for various job levels, providing employees with a transparent career development pathway. The company is certified under the ISO 45001 standard. We diligently comply with legal and regulatory requirements related to occupational health, including regular health check-ups and assessments of occupational hazards. We adhere to safety-related laws and regulations and have established safety management documents such as the "Hazard Identification, Evaluation, and Control Procedure" and the "Environmental and Occupational Health Safety Monitoring Plan," which facilitate regular assessments of our safety risk status. We have developed the "Employee Handbook" and "Employee Termination Management Regulations" to standardize the termination process, ensuring compliance with labor-related laws and regulations. Furthermore, we have established the "Employee Incentive and Satisfaction Management Procedure," which includes mechanisms for employee feedback. We also provide an open channel for feedback and complaints through the "Employee Voice" feedback hotline and email. During the Track Record Period and up to the Latest Practicable Date, there were no incidents in violation of the Company's policies or relevant laws and regulations pertaining to child labor, forced labor, labor trafficking or employee discrimination.

The table below presents the composition of our workforce.

		Years Ended December 31,					
		2022		2023		2024	
			(%)		*(%)*		*(%)*
Total Number		**402**	**100.0**	**833**	**100.0**	**592**	**100.0**
By Gender	Male	288	71.6	621	74.6	421	71.1
	Female	114	28.4	212	25.5	171	28.9
By Age Group	Below 30	240	59.7	628	75.4	407	68.8
	30 – 50	154	38.3	199	23.9	179	30.2
	Over 50	8	2.0	6	0.7	6	1.0

		Years Ended December 31,					
		2022		2023		2024	
			(%)		(%)		(%)
By Geographical Region	China	399	99.3	830	99.6	588	99.3
	Malaysia	–	–	–	–	1	0.2
	Australia	1	0.3	1	0.1	1	0.2
	United States	2	0.5	2	0.2	2	0.3
By Employment Type	Senior Management	8	2.0	7	0.8	7	1.2
	Middle Management	48	11.9	71	8.5	70	11.8
	General Staff	346	86.1	755	90.6	515	87.0

Development and Training

Recognizing that the cultivation and expression of our employees' personal values are integral to our overall value, we provide a comprehensive training system and development channels for our employees.

To support professional development, we provide our employees with onboarding training and on-the-job training. The onboarding training for employees includes explaining professional knowledge, internal policies and procedures, and company culture and values. The on-the-job training is provided based on the specific work requirements. At the same time, we also provide relevant leadership training for managers at different levels to help managers improve their team management skills and continue to move towards better management positions.

Occupational Health and Safety

We are committed to providing and maintaining a healthy and safe workplace for our employees. The Company has obtained ISO45001:2018 for Occupational Health and Safety Management System. To mitigate the risks in the workplace that may endanger the health of employees or damage the property of the Company, we have formulated safety management of hazardous chemicals and pollution prevention and control strategies. We are in the process of developing additional procedures to establish operating standards and emergency response protocols.

We have implemented measures and policies include, but are not limited to, the Environmental Health and Safety Management Manual, the Potential Hazard Identification and Management Measures, the Operator Safety Procedures Related to SiC Epitaxy Production Operations and various types of procedural documents and management measures that outline our operating standards, emergency response protocols, safety management of hazardous chemicals and control strategies.

We regularly provide EHS training to our employees in accordance with our internal policies to ensure adherence to relevant laws and regulations. We also remind our employees to take safety precautions and enhance their safety awareness on a daily basis. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work-related fatalities or material work-related injuries or incur penalties arising from any material non-compliance with work-related safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, our rate of material workplace injuries was 0.0%.

Supply Chain Management

We have established procedures related to supplier selection and management, which include a rigorous supplier vetting and approval process, as well as detailed protocols for ongoing monitoring and review of our suppliers, to mitigate risks relating to our supply chain and build a more environmentally friendly supply chain. To support our climate-related objectives, we actively engage our supply chain by communicating our environmental goals and policies. We encourage suppliers to collaborate in achieving these targets by providing relevant data, such as greenhouse gas (GHG) emissions and details of their energy-saving and carbon reduction initiatives. This approach enables us to assess and mitigate climate-related risks across the supply chain, ensuring alignment with our sustainability strategy. We have adopted a rigorous supplier selection process that involves supplier qualification review, material validation, quality system audit, and risk assessment. Our supplier selection process stringently governs the entry criteria for suppliers and conduct regular assessments and evaluations of supplier qualifications to ensure compliance with our environmental and social responsibility requirements. Only after passing the evaluation can suppliers be included in our "qualified supplier list", thereby ensuring the stability and reliability of the supply chain.

After the selection process, we have also established a systematic supply chain management framework to assess the comprehensive performance of our suppliers, focusing on their commitments to corporate social responsibility, environmental safety and health, and hazardous substance control. Our approach is guided by policies such as the "Supplier Development Management Process" and the "Code of Business Conduct." We conduct multidimensional evaluations and scoring of suppliers based on several criteria, including internal management structure, strict entry standards, execution of supplier integrity agreements and confidentiality agreements, and continuous compliance and regular assessments. Our evaluations cover various aspects, including supply capacity and risk levels. Based on the results of these risk assessments, we develop supplier audit plans to conduct audits and performance evaluations.

Product Liability

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with the regulatory requirements and quality requirements during the entire development, manufacturing, delivery and services processes. For details on product liability, please see "— Quality Control."

Anti-corruption

We attach great importance to business ethics and integrity, and have formulated a series of policies such as the Employee Integrity and Self-Discipline Management Measures and the Business Code of Conduct. In addition, all employees are required to sign the Integrity and Self-Discipline Guarantee upon joining the Company. We also conduct occasional training, meetings and presentations regarding anti-corruption.

To prevent and detect fraud, we established internal control mechanisms that include hotlines, emails and offline options, are open to employees at all levels and any external parties in society who have direct or indirect economic relations with the Company. All submissions are investigated in accordance with an approved investigation plan. The internal audit department will fully protect the confidentiality of the whistle-blowers, and the information of all whistle-blowers will be kept strictly confidential. Furthermore, we require our suppliers to enter into integrity agreements and to promise in writing to comply with the requirements of ethical conduct stipulated in the agreement.

As of the Latest Practicable Date, we were not involved in any legal proceedings in relation to corruption, bribery or fraud.

PROPERTIES

Our principal executive office is located in Xiamen, China. We own and occupy certain land parcels and buildings in the PRC for our business operations. These owned properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of the Latest Practicable Date, we owned two land parcels with a total site area of 96,721.6 sq.m., seven properties with a total gross floor area of 42,777.5 sq.m. in the PRC, and one construction-in-progress with an expected gross floor area of approximately 93,027.0 sq.m in the PRC. These properties are primarily used as our manufacturing facilities, warehouses and offices to support our business operations. The Company has two major construction projects, Phase I and Phase II, of which Phase I has completed construction and property ownership registration procedures, and Phase II is under construction. According to our PRC Legal Adviser, we have obtained all material licenses, permits and certificates with respect to land and properties as required by relevant PRC laws and regulations.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of the properties owned or occupied by us had a carrying amount of 15% or more of our consolidated total assets.

As of the Latest Practicable Date, we currently do not lease any properties from third parties.

LICENSES, APPROVALS AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for the business operations in which we engaged in China.

License/Permit	Entity Holding the License/Permit	Grant Date	Expiration Date
Enterprise Intellectual Property Management System Certification	The Company	2025.07.01	2028.07.07
High and New Technology Enterprise	The Company	2023.12.07	2026.12.06
Environmental Management System Certification	The Company	2025.11.20	2028.12.16
Occupational Health and Safety Management System Certification	The Company	2025.11.20	2028.12.12
ISO Quality Management System Certification	The Company	2025.10.13	2028.12.16
IATF Quality Management System Certification	The Company	2025.10.09	2028.10.08
Receipt on Customs Import and Export Consignor and Consignee Registration	The Company	2011.11.14	–[(1)]

License/Permit	Entity Holding the License/Permit	Grant Date	Expiration Date
Permit for the Discharge of Urban Sewage into Drainage Network.	The Company	198#: 2023.11.29 196#: 2025.02.26	198#: 2028.11.28 196#: 2030.02.25
Registration Form of Pollution Discharge for Fixed Pollution Sources and Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources	The Company	198#: 2024.01.29 196#: 2024.01.17	198#: 2029.01.28 196#: 2029.01.16

Note:

(1): The customs registration receipt for consignees and consignors of imported and exported goods that the Company obtained remains effective for long term and does not have an expiration date as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates necessary to conduct our actual business operations from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

IMPACT OF TRADE RESTRICTIONS AND TARIFFS

Since February 2025, the U.S. administration has cumulatively imposed additional 145% tariffs on Chinese imports. On April 11, 2025, China responded by increasing tariffs on U.S. goods to 125%. On May 12, 2025, China and the U.S. announced that an agreement has been reached, under which the U.S. would reduce the tariff on Chinese imports to 30% from its current 145%, while Chinese duties on U.S. imports will fall to 10% from 125% for the next 90 days, which was extended for 90 days by mutual agreement on August 11, 2025. On October 10, 2025, U.S. president Donald Trump said the U.S. would impose new tariffs of 100% on imports from China starting November 1, 2025. On November 1, 2025, the U.S. government released a fact sheet that documents the latest actions to be taken by the U.S. and Chinese governments to relax tariff and other trade controls as a result of a trade and economic deal reached between the two sides. The U.S. will, among other measures, lower the tariffs on Chinese imports by removing 10 percentage points of the cumulative rate, effective November 10, 2025, and will maintain its suspension of heightened reciprocal tariffs on Chinese imports until November 10, 2026. The U.S. will further extend the expiration of certain Section 301 tariff exclusions, currently due to expire on November 29, 2025, until November 10, 2026. The U.S. also will suspend for one year, starting on November 10, 2025, the implementation of the interim final rule titled Expansion of End-User Controls to Cover Affiliates of Certain Listed Entities. These are all measures to relax tariff and other trade controls, and therefore the Directors and legal adviser engaged in connection with the foregoing matters are of the view that these recent regulatory developments do not have any material adverse impact on the Group's business operations and financial performance. Our Directors will continue to monitor developments regarding relevant tariffs.

We do not rely on any U.S.-originated technologies or raw materials for our operations. In addition, substrate is our primary raw material. With the ongoing advancements in the substrate supply chain, domestic manufacturers are now capable of providing alternatives to imported substrates. The increased supply, cost advantages of domestic manufactured substrates and technological developments in producing more cost-effective substrates have led to an overall decline in raw material prices. We have established stable procurement arrangements with domestic substrate suppliers, which has reduced raw material costs and enabled us to offer competitive prices.

During the Track Record Period, revenue generated from North America accounted for 3.2%, 6.5%, 3.4%, 3.6% and 2.8% of our total revenue in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. We do not expect our sales to the U.S. to increase significantly and does not have plan to devote significant resources to expand our sales in the U.S.

Given our limited export and import activities in connection with the U.S. during the Track Record Period and up to the Latest Practicable Date and the latest agreement between the U.S. and China on lowering tariff rates for the 90 days aftermath, our Directors believe that the recent tariffs have had no material or immediate direct or indirect impact on our supply chain, production, operations and financial performance during the Track Record Period and up to the Latest Practicable Date. Furthermore, as we currently do not target nor plan to shift our strategic focus to the U.S. market and the U.S. market is not expected to account for a significant portion of our revenue, our Directors are of the view that the recent tariffs will not have any material adverse impact, directly or indirectly, on our operations and financial performance in the near to mid term.

We have reviewed and analyzed our engineering data and data on our use and transfer of items to their parties, and we understand that the items we export from the U.S. or transfer to third parties are all classified as either EAR99 or in an ECCN subject only to anti-terrorism controls, and we understand that we do not transfer any anti-terrorism controlled items subject to the EAR to any third parties. In addition, (i) we manufacture our products in the PRC without any presence in the U.S.; (ii) we do not incorporate or bundle any U.S.-origin items into our end products; and (iii) we do not sell or transfer hardware, software or technology (technical data) to destinations that subject to comprehensive embargo by the U.S. government. Based on these factors, we conclude the U.S. export control have had no material or immediate direct or indirect impact on our operations and financial performance during the Track Record Period and up to the Latest Practicable Date. Our Directors are also of the view that the restrictions imposed by the EAR, including the BIS 2022/23 IFRs, have not had any material adverse impact on our operations or financial performance as of the Latest Practicable Date.

That said, we acknowledge that tariffs have historically contributed to increased trade and political tensions, particularly between the U.S. and China, as well as with other trading partners. Such tensions may negatively affect trade volume, cross-border investment, technological exchange, and other international economic activities. In turn, this could have a material adverse impact on global economic conditions and the stability of financial and capital markets. Heightened geopolitical uncertainty and the risk of further escalation may also discourage investment in securities issued by China-based companies, including ours, and weigh on the broader macroeconomic environment. See "Risk Factors — Risks Relating to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions."

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

We, our shareholders, affiliates, Directors, Supervisors, senior management and employees may be involved from time to time in disputes with various parties, including but not limited to our customers, suppliers, competitors, employees, former shareholders, device providers, insurers and banks. For example, in January 2025, Tang Xiuhao (湯秀豪), our former shareholder and an Independent Third Party, brought a legal action against Dr. Zhao as defendant and our Company as a third party, among others, alleging and requesting the court to confirm that the subscription of Dr. Zhao for the 50% equity interest of the Company upon its establishment in 2011 was inaccurate capital contribution (出資不實) over the transfer of the bipolar junction transistor ("BJT") technology. BJT is a current-controlled device. SiC BJTs, in particular, are distinguished by their

ability to operate reliably at high voltages exceeding 10 kV. At the inception, the Company utilized certain underlying technologies associated with developing SiC BJTs, including those related to requirements for substrate and epitaxial quality, epitaxial structure design, and advanced substrate and epitaxial processing, when building its platform for SiC epitaxial growth, covering from pre-growth substrate treatment and epitaxial deposition to post-growth cleaning and inspection. The technology was self developed by Dr. Zhao without the use of, or reliance upon, resources belonging to his former employer or associated with his prior positions. Accordingly, the risk of any potential intellectual property infringement claims arising from BJT is considered extremely remote. Furthermore, we did not utilize the BJT technology in our production during the Track Record Period. Tang Xiuhao was not a shareholder or investor of the Company upon the establishment of the Company and when the aforesaid contribution was made. Further, Tang Xiuhao and his affiliate had divested all his investment in the Company in 2018 and had no other relationship with the Company ever since. On June 9, 2025, Dr. Zhao won the case in the first instance (一審) and the claims of Tang Xiuhao were dismissed in their entirety, and Tang Xiuhao disagreed with the judgment and filed an appeal. As confirmed by our PRC Legal Adviser, Dr. Zhao's then capital contribution has fulfilled the necessary procedures and registration requirement and has complied with the then laws and regulations in the PRC. The case has been concluded with a final judgment on appeal on October 22, 2025. The Fujian Higher People's Court upheld the original judgment and dismissed all of Tang Xiuhao's claims. As confirmed by our PRC Legal Adviser, as of the date of the Document, the judgment of the Fujian Higher People's Court is the final judgment of the aforementioned lawsuit.

In January 2024, Tang Xiuhao brought a legal action against Dr. Zhao and Li Qinghua as defendant, alleging and requesting the court to terminate the equity proxy between Tang Xiuhao and Dr. Zhao and Li Qinghua, and request Dr. Zhao and Li Qinghua to jointly return the portion of the equity held in proxy to Tang Xiuhao. On May 24, 2024, Dr. Zhao won the case in the first instance and the claims of Tang Xiuhao were dismissed in their entirety, and Tang Xiuhao disagreed with the judgment and filed an appeal. The case has been concluded with a final judgment on appeal on March 3, 2025. The Xiamen Intermediate People's Court upheld the original judgment and dismissed all of Tang Xiuhao's claims.

Mr. Tang filed the application for retrial on August 6, 2025 and initiated a trial supervision procedure to request the court to review instances of judicial misconduct during the trial process. As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, this procedure does not affect the conclusion of the case or the validity of the final judgment. The Company has not yet received any notice from the court that a retrial has been approved or commenced. As a result, as confirmed by our PRC Legal Adviser, as of the Latest Practicable Date, the aforementioned application for a retrial has not yet been approved by the court and there are no other pending litigation or arbitration proceedings in respect of Dr. Zhao's shareholding, and the Company's equity structure is clear.

Further, even though Dr. Zhao is a U.S. citizen, the U.S. Final Rule would not apply to his investment unless the investee is a "covered foreign person." Our legal adviser engaged in connection with the foregoing matters is of the view that we are not a "covered foreign person" based on the Final Rule because we do not engage in a "covered activity" as defined by the Final Rule. The term "covered foreign person" is defined under the Final Rule to include (i) a "person of a country of concern" that engages in a "covered activity" as well as (ii) a person that holds ownership or governance over a person identified in such "person of a country of concern", if that person derives more than 50% of revenue, net income, capital expenditures, or operating expenses from that entity. The term "covered activities" means, in the context of a particular transaction, any activities covered by the prohibited transactions and notifiable transactions as specified under the Final Rule. Prohibited transactions include (i) an exhaustive list of covered transactions involving certain electronic design automation software, fabrication or advanced packaging equipment, advanced packaging technology, and the design and fabrication of certain integrated circuits and high-end or supercomputing applications; (ii) covered transactions involving AI systems designed exclusively for or intended to be used for military, government intelligence or mass surveillance end uses or that meet certain technical specifications; and (iii) covered transactions related to the

development of quantum computers and production of critical components, the development or production of certain quantum sensing platforms, and the development or production of quantum networking and quantum communication systems. Notifiable transactions include (i) covered transactions involving the design, fabrication and packaging of integrated circuits not covered by the prohibited transactions; and (ii) covered transactions involving AI systems intended by the covered foreign person to be used for cybersecurity applications, digital forensics tools, penetration testing tools, control of robotic systems or that meet certain technical specifications. Dr. Zhao will not cease to be our single largest shareholder due to the Final Rule, and the suitability of Dr. Zhao to act as our Director under Rules 3.08 and 3.09 will not be affected either.

According to our PRC Legal Adviser, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the establishment of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures.

Operational Risk Management

Operational risk includes risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events, and we have adopted a series of internal procedures to address such risk. Our administration, information technology, human resources, and finance departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our senior management to take appropriate measures.

Compliance Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In accordance with such procedures, we have designated personnel carefully reviews the contracts we enter into with customers, suppliers and partners and examines related documents, including necessary due diligence materials and licenses and permits obtained by the other party to fulfill its obligations under the relevant contract. In addition, we regularly review and monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations. We also have an internal audit department that continuously supervises compliance efforts within departments and reports to our senior management.

Intellectual Property Risk Management

As a technology-focused company, we may face claims related to intellectual property rights. To ensure proper management of our intellectual property, we have various internal policies and established an internal intellectual property management system:

- We have developed and enacted systematic internal policies and procedures for the management of intellectual property rights, including the management of intellectual property acquisition, maintenance, implementation, licensing and transfer, as well as the requirements and job responsibilities for positions related to intellectual property management.

- To safeguard against potential infringements on both our intellectual property rights and those of others, we have designated personnel responsible for intellectual property management, conducts thorough searches and analyses of our R&D outcomes upon the completion of scientific research projects and technology development, which includes the determination of any possible infringements and preparing detailed inspection reports to ensure compliance and prevent infringement. In addition, our employees are required to adhere to strict confidentiality obligations and sign confidentiality agreements and non-compete agreements.

Investment Risk Management

We invest in or acquire businesses that are complementary to our business and in line with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. We evaluate and screen investment opportunities based on our growth strategies and we engage in comprehensive due diligence process to assess the risks of potential projects.

Information Security and Data Privacy Risk Management

Sufficient maintenance, storage and protection of our data and other related information are critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data are avoided. To ensure information security, we have implemented a suite of IT security policies and procedures to govern various aspects of data handling, including information security, IT device management and system maintenance, and network and database management. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing.

During the Track Record Period and up to the Latest Practicable Date, we have not become aware of any material information leakage or loss of our data and we did not experience any material system failure in our IT infrastructure.

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have implemented thorough anti-corruption policies and a whistleblower mechanism for reporting misconduct anonymously, either for the pursuit of improper personal benefits or improper interests of the Company. Our internal audit department provides regular reports to the Audit Committee of the Board. Violations of these policies result in appropriate disciplinary action, and we provide internal training to all employees while keeping our customers and suppliers informed of our anti-corruption policies and practices.

Audit Committee Experience and Qualification and Board Oversight

To ensure the effectiveness 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. Any major issues identified will be reported to the Audit Committee and the Board annually.

AWARDS AND RECOGNITIONS

Award/Recognition	Award Authority	Award Year
Strategic Cooperation Award (戰略合作獎)	Zhuzhou CRRC Times Semiconductor Co., Ltd.	2024
Fujian Provincial-Level Manufacturing Industry Single Champion Enterprises (福建省省級製造業單項冠軍企業)	Fujian Provincial Department of Industry and Information Technology	2024
Fujian Provincial Advantageous Products and Technologies in the Field of Industry and Information Technology (First Batch) (福建省工業和資訊化領域優勢產品和技術(第一批))	Fujian Provincial Department of Industry and Information Technology	2023
Outstanding Quality Award (卓越品質獎)	Zhuzhou CRRC Times Semiconductor Co., Ltd.	2022
State Grid Smart Grid Research Institute Award for Progress in Science and Technology (國網智慧電網研究院科技進步獎)	State Grid Smart Grid Research Institute	2021
Perfect Quality Award (完美品質獎)	Customer A	2020

BOARD OF DIRECTORS

Our Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets out key information about our Directors.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Executive Directors					
Dr. Zhao Jianhui (趙建輝)	66	Executive Director and chairperson of the Board	March 2011	March 31, 2011	Responsible for the Company's overall strategic planning and operational decisions
Ms. Pan Menghan (潘夢菡)	62	Executive Director	March 2011	March 31, 2011	Responsible for assisting in overseeing the day-to-day operation of the Company
Ms. Bai Liting (白麗婷)	64	Executive Director	March 2022	July 5, 2022	Responsible for the human resources matters of the Company
Non-executive Directors					
Mr. Fang Wei (方偉)	50	Non-executive Director	March 2025	March 30, 2025	Participating in the formulation of our Company's corporate and business strategies
Mr. Su Ping (蘇平)	65	Non-executive Director	June 2011	October 18, 2013	Participating in the formulation of our Company's corporate and business strategies
Ms. Xie Jieping (謝潔平)	52	Non-executive Director	March 2025	March 30, 2025	Participating in the formulation of our Company's corporate and business strategies
Independent Non-executive Directors					
Dr. Kang Junyong (康俊勇)	65	Independent non-executive Director	May 2023	May 12, 2023	Responsible for providing independent opinion and judgment to the Board
Dr. Liao Yi (廖逸)	40	Independent non-executive Director	March 2025	March 30, 2025	Responsible for providing independent opinion and judgment to the Board
Dr. Su Xinlong (蘇新龍)	61	Independent non-executive Director	May 2023	May 12, 2023	Responsible for providing independent opinion and judgment to the Board

Executive Directors

Dr. Zhao Jianhui (趙建輝), aged 66, is our founder, executive Director and chairman of the Board mainly responsible for the Company's overall strategic planning and operational decisions.

Dr. Zhao is a renowned scientist with over 35 years of dedicated R&D experiences in SiC technology development. He is the first scientist elected as an IEEE Fellow based on significant contributions to the R&D and application of SiC technologies. After he founded the Company in 2011, he has been serving as our Director and also our chairman of the Board from 2011 to 2012 and since 2014. He has been a chair professor at Xiamen University (廈門大學) in the PRC since December 2021. Between 1988 and 2021, Dr. Zhao served in Rutgers University in the United States.

Dr. Zhao obtained a bachelor of science degree in physics from Xiamen University (廈門大學) in the PRC in July 1982. He received a doctorate degree in electrical and computer engineering from Carnegie Mellon University in May 1988.

Ms. Pan Menghan (潘夢菡) (former name: Pan Menghan (潘孟菡)), aged 62, is our executive Director mainly responsible for assisting in overseeing the day-to-day operation of the Company.

Ms. Pan has over 26 years of experience in the telecommunications and engineering sectors. Before joining the Group, she served at a manufacturing company in the United States until around 2010. Prior to that, Ms. Pan worked as a staff member in projects and business for various computer and manufacturing companies in the United States until around early 2000s. Following Ms. Pan's graduation, in mid 1980s until around 1989, Ms. Pan worked in the technical department of Xinhua News Agency.

Ms. Pan obtained her bachelor's degree in radio technology communication from Chengdu Institute of Radio Engineering (成都電訊工程學院) (currently known as University of Electronic Science and Technology of China (電子科技大學)) in the PRC in July 1984. She received a master's degree in electrical engineering in October 1993 from New Jersey Institute of Technology.

Ms. Bai Liting (白麗婷), aged 64, is our executive Director mainly responsible for the human resources matters of the Company.

Ms. Bai joined our Company in March 2022 and has been serving as our deputy director of administration and human resources. Prior to joining our Company, she served as the vice chair of the risk control committee at Xiamen Lianfa (Group) Forever Co., Ltd. (廈門聯信誠有限公司) from May 2016 to January 2019 after serving as its assistant to the general manager and deputy general manager from February 2003 to May 2016. Prior to that, Ms. Bai was the department manager and assistant general manager at Xiamen Lianfa (Group) ETOP Co., Ltd. (廈門聯儀通有限公司) from February 2001 to January 2003.

Ms. Bai obtained her bachelor's degree in radio technology from Fuzhou University (福州大學) in the PRC in October 1982.

Non-executive Directors

Mr. Fang Wei (方偉), aged 50 is our non-executive Director mainly responsible for participating in the formulation of our Company's corporate and business strategies.

Mr. Fang has over 25 years of experience in wireless product engineering and corporate management. Prior to joining our Company, he has been working in Huawei Technologies Co., Ltd. (華為技術有限公司) since February 1999 where he successively held various positions, last serving as the fifth track board director.

Mr. Fang has served as a director taking non-executive role at companies invested by Huawei, including JoulWatt Technology Co., Ltd. (傑華特微電子股份有限公司, stock code: 688141.sh) since May 2024, SICC Co., Ltd. (山東天岳先進科技股份有限公司, stock code: 688234.sh) since February 2024 and Suzhou Oriental Semiconductor Company Limited (蘇州東微半導體股份有限公司, stock code: 688261.sh) since December 2023, all being companies listed on the Shanghai Stock Exchange.

Mr. Fang obtained his bachelor's degree in communication engineering in July 1996 and his master's degree in communication and information systems in March 1999, both from Shanghai Jiao Tong University (上海交通大學) in the PRC.

Mr. Su Ping (蘇平), aged 65, is our non-executive Director mainly responsible for participating in the formulation of our Company's corporate and business strategies.

Mr. Su joined our Group in June 2011 as a supervisor until October 2013, and has served as a Director since October 2013. From June 2018 to May 2023, he was the vice chairperson of the Company. Prior to joining our Company, he served as the general manager of Xiamen Lianfa (Group) Forever Co., Ltd. (廈門聯信誠有限公司) from August 1998 to March 2021.

Mr. Su obtained his bachelor of science degree in physics from the department of physics at Xiamen University (廈門大學) in the PRC in July 1982.

Ms. Xie Jieping (謝潔平), aged 52, is our non-executive Director mainly responsible for participating in the formulation of our Company's corporate and business strategies.

Ms. Xie has served as the general manager of Xiamen Industrial Investment Co., Ltd. (廈門市產業投資有限公司) from May 2024 until now. Ms. Xie also served as the manager of the fund management department and deputy general manager from April 2013 to February 2015 and general manager responsible for daily operations from February 2015 to May 2024 in Xiamen Venture Capital Co., Ltd. (廈門市創業投資有限公司). Ms. Xie served as the managing partner, chief financial officer, and deputy general manager of Xiamen Taikun Investment Co., Ltd. (廈門泰坤投資有限公司) from January 2005 to July 2012. From June 2001 to December 2004, she has served as the director of the finance department, assistant to the chairman, and chief financial officer of Xiamen Weidiya Technology Co. Ltd (廈門威迪亞科技有限公司). From August 1993 to June 2002, she successively served as deputy director of the negotiation department, deputy director of the credit department, deputy director and director of the funds department in Xiamen International Bank Co., Ltd. (廈門國際銀行股份有限公司).

Ms. Xie also holds multiple positions in various companies currently, including:

- a director at Xiamen Sky Semiconductor Technology Co., Ltd. (廈門雲天半導體科技有限公司) from December 2024 until now;
- a director at Xiamen Tianma Display Technology Co., Ltd. (廈門天馬顯示科技有限公司) from November 2024 until now;
- a director at Xiamen Shilan Jihong Semiconductor Co., Ltd. (廈門士蘭集宏半導體有限公司) from September 2024 until now;
- a non-executive director of CALB Group Co., Ltd. (中創新航科技集團股份有限公司) (stock code: 3931.hk), a company listed on the Stock Exchange since December 31, 2024;
- a director of Xiamen Industrial Investment Co., Ltd. (廈門市產業投資有限公司) from March 2024 until now;

- a director at Xiamen Yaxon Zhilian Technology Co., Ltd. (廈門雅迅智聯科技股份有限公司) from June 2023 until now;

- a director of Xiamen Tianma Optoelectronics Co., Ltd. (廈門天馬光電子有限公司) from May 2022 until now; and

- a director of Xiamen Venture Capital Co., Ltd. (廈門市創業投資有限公司) from March 2015 until now.

In addition, Ms. Xie currently serves as the president of the Xiamen Entrepreneurship and Investment Association (廈門市創業與投資協會). She served as the director of the Private Equity Fund Self-discipline and Supervision Committee of the Securities, Futures and Fund Association of Xiamen (廈門證券期貨基金業協會私募基金自律監察專業委員會) from April 2017 to December 2024. With many years of experience in the financial industry and industrial and equity investment fund sectors, she was recognised as a "High-Level Financial Specialist in Xiamen" (廈門市高層次金融人才) in 2021.

Ms. Xie obtained her bachelor's degree in economics in July 1993 and master's degree in business administration in June 2006 from Xiamen University (廈門大學) in the PRC.

Ms. Xie also notified the Board that she has served as director of UCAR (Xiamen) Information Technology Co., Ltd. (神州優車(廈門)信息科技有限公司) ("**UCAR**") since May 2019. UCAR was incorporated on March 14, 2019 in Xiamen City, Fujian Province, People's Republic of China, primarily as an investment platform to hold shares in Beijing Borgward Auto Co., Ltd. (北京寶沃汽車股份有限公司) ("**Borgward Auto**"). UCAR participated in the financing of Borgward Auto in 2019. However, due to its own failure of business operation and financing, UCAR was unable to settle all considerations due to Borgward Auto pursuant to the financing agreements. Therefore, Borgward Auto initiated a lawsuit against UCAR to request for repayment of all outstanding amount under the financing agreements. On October 31, 2023, it was apparent that UCAR lacked the capacity to discharge the debts due with its failure to repay all the defaulted debts due and inability to settle them even after compulsory enforcement by the People's Court. As such, the bankruptcy liquidation application of Borgward Auto against UCAR was ruled to be accepted by the Intermediate People's Court of Xiamen City, Fujian Province (the "**Court**"). Borgward Auto had ordinary claims of RMB1,121,280,281.68 and subordinated claims of RMB17,614,380 against UCAR confirmed by a ruling of the Court on May 6, 2024. On the same day, due to the insufficiency of UCAR's property to cover bankruptcy expenses, the court declared bankruptcy of UCAR and terminated its bankruptcy proceedings. Ms. Xie confirmed that (i) she was neither the applicant nor the respondent in the bankruptcy proceedings of UCAR; (ii) she was not aware of any actual or potential claim that had been or would be brought against her as a result of the bankruptcy; and (iii) there was no financial impact of the bankruptcy on her.

Considering the independent due diligence conducted by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor which would cause them to cast reasonable doubt on the competence and suitability of Ms. Xie as a non-executive Director under Rules 3.08 and 3.09.

Independent Non-executive Directors

Dr. Kang Junyong (康俊勇), aged 65, is our independent non-executive Director mainly responsible for providing independent opinion and judgment to the Board.

Dr. Kang has over 26 years of experience in the research of semiconductor sectors. He has been a professor since 1999 in the department of physics at Xiamen University (廈門大學) in the PRC, where he also successively served as an associate professor from December 1995 to December 1999, a lecturer from 1993 to 1995 and an assistant professor from 1987 to 1989.

Dr. Kang has also served as a director taking non-executive role in various companies, including as an independent director of Xiamen Guangpu Electronics Co., Ltd. (廈門光菁電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300632.sz), from July 2024 until now, and as an independent director of SANAN Optoelectronics Co., Ltd. (三安光電股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600703.sh), from December 2019 until December 2025.

Dr. Kang obtained a bachelor's degree in radio physics in July 1982 and a master's degree in semiconductor physics and device physics in August 1987, both from Xiamen University (廈門大學) in the PRC. In December 1993, he was awarded a doctorate degree in science from Xiamen University. He also completed the 18th University-Wide Training Session on Safe Handling of X-rays organized by the Atomic Energy and Engineering Committee of Tohoku University in May 2022.

Dr. Liao Yi (廖逸), aged 40, is our independent non-executive Director mainly responsible for providing independent opinion and judgment to the Board.

Since September 2019, Dr. Liao has served as the associate professor at the Department of Management at The Hang Seng University of Hong Kong (香港恒生大學), after serving as an assistant professor since 2015. Previously, from 2013 to 2015, Dr. Liao was an assistant professor at Macau University of Science and Technology (澳門科技大學).

Dr. Liao obtained her bachelor's degree in information management and information system in Nanjing University (南京大學) in the PRC in June 2007, and her master's degree in business in Lingnan University (嶺南大學) in October 2009, and she obtained a doctorate degree in management in the University of Hong Kong in November 2013.

Dr. Su Xinlong (蘇新龍), aged 61, is our independent non-executive mainly responsible for providing independent opinion and judgment to the Board.

Dr. Su has over 30 years of experience in the fields of accounting and finance education. He has been working as a full-time reappointed professor at Xiamen University (廈門大學) in the PRC since May 2024 after working as a professor at the university's accounting department from August 2008 to May 2024. Prior to that, Dr. Su served as an associate professor at the same department from December 2002 to July 2008. In addition to his academic roles, Dr. Su was a certified public accountant in the PRC from September 1994.

Dr. Su has been an independent director at Annto Logistics Supply Chain Technology Co., Ltd (安得智聯供應鏈科技股份有限公司) and Xiamen Keytop Communication & Technology Company Limited (廈門科拓通訊技術股份有限公司) since August 2023 and March 2021, respectively. He also held several other directorships and senior management positions, including serving as an independent director of Shanghai Chuangxing Resource Development Group Co., Ltd. (上海創興資源開發股份有限公司, "**Shanghai Chuangxing**"), a company listed on the Shanghai Stock Exchange (stock code: 600193.sh) from April 1999 to May 2005 and as the deputy general manager from June 2005 to April 2007. He served as a supervisor at Shanghai Chuangxing, a company listed on the Shanghai Stock Exchange, from May 2007 to July 2015. He previously held the position of independent director at Sensteed Hi-Tech Group (山子高科技股份有限公司) (formerly known as Yinyi Co., Ltd. (銀億股份有限公司)) (stock code: 000981.sz), a company listed on the Shenzhen Stock Exchange, from July 2019 to December 2021.

Dr. Su obtained his bachelor's degree and master's degree in accounting in July 1985 and July 1996, both from Xiamen University (廈門大學) in the PRC. He then received a doctorate degree in management from Wuhan University of Technology (武漢理工大學) in the PRC in December 2008.

In August 2015, the CSRC issued an administrative penalty decision to Shanghai Chuangxing and Dr. Su, among others, as to the inaccuracy and incompleteness of a connected transaction announcement issued by Shanghai Chuangxing in 2012, when Dr. Su was its supervisor. In the course of assessing the aforementioned connected transaction, Shanghai Chuangxin failed to engage a qualified assets valuer as required under applicable laws and regulations. It also failed to disclose the full name and certain contents of the assets valuation report and whether the report was prepared solely for the purpose of the connected transaction, which resulted in the inaccuracy and incompleteness of the connected transaction disclosure, and material recent development regarding market price of the underlying assets relevant to the connected transaction after the valuation date, which rendered the valuation report fail to provide fair value of the assets to the board. Pursuant to the administrative penalty decision, Dr. Su was imposed a warning and a penalty of RMB50,000, which he has fully paid up. As of the Latest Practicable Date and to our best knowledge, this incident has been concluded and there has not been any further regulatory request to or action against Dr. Su from the Shanghai Stock Exchange, the CSRC or other competent authorities as to this incident. Considering (i) such incident has been concluded long before the commencement of the Track Record Period, (ii) Dr. Su was not involved in the decision-making and execution of the relevant transaction, (iii) Dr. Su has completed relevant trainings and reviewed rectification measures after receiving the decision letter, and (iv) there was no dishonesty, fraud or integrity-related issues from Dr. Su, the Company is of the view that such incident would not affect the suitability of Dr. Su as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules. Save as disclosed above, there were no other disciplinary actions against Dr. Su as of the date of this Document. Considering the independent due diligence conducted by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor which would cause them to cast reasonable doubt on the competence and suitability of Dr. Su as an independent non-executive Director under Rules 3.08, 3.09 and 3.10(2).

Dr. Su has been and remains responsible for the following areas in his capacity as a professor of accounting, an independent director of listed or unlisted companies, through which the Directors are of the view that he has gained the appropriate accounting and financial management expertise required under Rule 3.10(2) of the Listing Rules:

- lecturing on and teaching accounting related courses at Xiamen University;
- working as a certified public accountant for years with involvement of audit work of public companies;
- being the author of numerous papers in the fields of accounting and auditing, and related textbooks and monographs;
- acting as an independent director in several listed or unlisted companies mentioned above, involved in their financial management, internal control and corporate governance matter, including in annual budget meetings, periodic financial reviews, annual financial audits and reporting, as well as reviewing and analysing audited financial statements; and
- working closely with the listed companies in the preparation of their financial statements, valuation analysis, participation in pricing and negotiation of transaction terms and other related financial documents in advance of their publication.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include supervising the performance of duty of the Board and the senior management of our Company and overseeing the financial conditions of our Company.

The following table sets out key information about our Supervisors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Supervisor	Responsibilities
Mr. Li Kaixi (李凱希)	33	Employee representative Supervisor	July 2014	May 12, 2023	Responsible for monitoring the performance of the Directors and senior management
Mr. Qian Weining (錢衛寧)	38	Supervisor	July 2013	May 12, 2023	Responsible for monitoring the performance of the Directors and senior management
Mr. Wu Guoyi (吳國屹)	48	Chairman of the Supervisory Committee	October 2022	October 21, 2022	Responsible for monitoring the performance of the Directors and senior management

Mr. Li Kaixi (李凱希), aged 33, has served as our employee representative Supervisor since May 2023. Since May 2024, Mr. Li has been a supervisor at Epiworld Materials.

Mr. Li began his career in our Company as a process engineer from July 2014 to February 2017. He then successively served as a supervisor from February 2017 to March 2019, a deputy manager from March 2019 to June 2021 and a manager since June 2021 at the production department of our Company. He is responsible for product planning, delivery and marketing throughout the product lifecycle.

Mr. Li obtained his bachelor's degree in science from Nanjing University of Information Science &Technology (南京信息工程大學) in the PRC in June 2014.

Mr. Qian Weining (錢衛寧), aged 38, has served as our Supervisor since May 2023. Mr. Qian is primarily responsible for monitoring the performance of the Directors and senior management.

Mr. Qian joined us in July 2013 and has since served as the manager of the research and development department at our technology center. He is responsible for overseeing the development of new technologies, products, or processes within our Group.

Mr. Qian obtained his bachelor's degree in applied physics from Taiyuan University of Science and Technology (太原科技大學) in the PRC in July 2010. He obtained his master's degree in microelectronic and solid state electronics in South China Normal University (華南師範大學) in the PRC in June 2013.

Mr. Wu Guoyi (吳國屹), aged 48, is the chairman of our Supervisory Committee. Mr. Wu is primarily responsible for monitoring the performance of the Directors and senior management.

Mr. Wu joined us in October 2022. He has held various positions at China Resources Microelectronics Limited (華潤微電子有限公司) ("**CRMC**"), a company listed on the Shanghai Stock Exchange (stock code: 688396.sh, also formerly listed on the Stock Exchange under stock code: 0597.hk before it was privatized in November 2011), including its director from November 2021 to present, its chief financial officer from September 2021 to present, and its board secretary from May 2019 to present. Apart from the abovementioned positions, he held the position of

director of the strategic development department at CRMC. Prior to that, from October 2011 to December 2013, he was the assistant director of the strategic development department at CRMC. He served as a senior business development manager in the strategic development department at CRMC from November 2009 to October 2011. He began his tenure at CRMC as a senior manager at CRMC from September 2008 to November 2009.

Mr. Wu has been serving as the director of several subsidiaries of CRMC from January 2021 to now. Since September 2021, he has been the supervisor at China Resources Microelectronics.

Mr. Wu obtained his bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2000.

SENIOR MANAGEMENT

The following table sets out key information about our senior management.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as Senior Management	Responsibilities
Dr. Feng Gan (馮淦)	50	General Manager	September 2011	July 17, 2016	Responsible for the overall day-to-day management of the Company
Dr. Hong Tu (洪圖)	40	Board Secretary	April 2023	April 1, 2023	Responsible for the equity financing and [**REDACTED**] works of our Company
Mr. Peng Xinghua (彭興華)	42	Financial Controller	July 2020	July 8, 2020	Responsible for overseeing the finance and accounting matters and financial reporting of our Group
Dr. Sun Yongqiang (孫永強)	40	Deputy General Manager	October 2011	December 13, 2019	Responsible for the management of the Company's manufacturing operations and supply chain

Dr. Feng Gan (馮淦), aged 50, has served as the general manager of our Company since July 2016 and since May 2024, he has also been the general manager of Epiworld Materials. He is primarily responsible for the overall day-to-day management of the Company. Dr. Feng joined us in September 2011 as our vice president of R&D.

Dr. Feng has over 20 years of experience in the fields of research and development in semiconductor technology. Prior to joining our Group, Dr. Feng was a program-specific researcher at Kyoto University from April 2007 to September 2011. He served as a part-time lecturer at Kyoto Institute of Technology from May 2004 to March 2007 and worked at Paul-Drude-Institute for Solid State Electronics as an academic from September 2003 to March 2004.

Dr. Feng obtained his bachelor's degree in metal materials and heat treatment in June 1997 and his master's degree in materials in March 2000, both from Nanjing University of Science and Technology (南京理工大學) in the PRC. He obtained his doctorate degree in materials science and chemistry from the Institute of Semiconductors, Chinese Academy of Sciences (中國科學院半導體研究所) in the PRC in August 2003.

Dr. Hong Tu (洪圖), aged 40, has been our board secretary since April 2023. He is primarily responsible for the equity financing and [**REDACTED**] works of our Company.

Dr. Hong has nearly 10 years of experience in financing. From October 2013 to March 2023, Dr. Hong served at China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司, "**CMBC**"), a company listed on the Stock Exchange (stock code: 1988.hk), with positions held including staff member of the investment banking department of the headquarter of CMBC, the deputy general manager of the investment banking department of its Quanzhou branch, the general manager of the investment banking department of its Quanzhou branch, the general manager of the small and medium enterprise finance team of its Beijing branch and the deputy president of its Beijing Zhongguancun branch.

Dr. Hong obtained his bachelor's degree in physics, master's degree in physics and doctorate degree in finance from Xiamen University (廈門大學) in the PRC in July 2006, June 2009 and September 2013, respectively.

Mr. Peng Xinghua (彭興華), aged 42, has served as the financial controller of our Company since July 2020. He is primarily responsible for overseeing the finance and accounting matters and financial reporting of our Group. He joined us in July 2020 as our chief financial officer and board secretary.

Mr. Peng has over 17 years of experience in finance and accounting. From May 2015 to February 2020, he served as the financial director at Xiamen Changelight Co., Ltd. (廈門乾照光電股份有限公司) (stock code: 300102.sz), a company listed on the Shenzhen Stock Exchange. Before that, he joined the company in 2008 and held various positions until February 2020, including deputy manager, manager of the finance department, deputy director of finance, and head of finance.

Mr. Peng obtained his bachelor's degree in management from Changchun Institute of Technology (長春工程學院) in the PRC in June 2006. He then obtained a bachelor's degree in engineering from the same institution in July 2006.

Dr. Sun Yongqiang (孫永強), aged 40, has served as the deputy general manager of our Company since December 2019. He is primarily responsible for the management of our Company's manufacturing operations and supply chain. He joined us in October 2011 as the deputy manager of the production department.

Prior to joining our group, Dr. Sun worked as a technician in a technical position at the 55th Research Institute of China Electronics Technology Group Corporation from July 2010 to September 2011.

Dr. Sun obtained his bachelor's degree in materials science in July 2007 and a master's degree in materials science and chemistry in June 2010, both from Sichuan University (四川大學) in the PRC. He obtained his doctorate degree in microelectronics and solid state electronics in Xiamen University (廈門大學) in the PRC in December 2019.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above, none of the Directors, Supervisors or members of senior management of our Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

Ms. Pan is the spouse of Dr. Zhao. Save as disclosed above, none of the Directors, Supervisors or members of the senior management of our Company is related to any other Directors, Supervisors and members of the senior management of our Company.

Save as disclosed in the biographies of our Directors, Supervisors and members of our senior management above, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors or Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPANY SECRETARY

Ms. Wong Wai Yee, Ella ("**Ms. Wong**") was appointed as a company secretary of the Company in March 2025. Ms. Wong is a director of Company Secretarial Services of Vistra Group. Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly known as (The Hong Kong Institute of Chartered Secretaries) ("HKCGI") and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Wong is a holder of the Practitioner's Endorsement from HKCGI. Ms. Wong obtained her bachelor's degree in Economics from The University of Hong Kong and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, our Company has formed four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of 3 Directors, namely Dr. Su Xinlong (蘇新龍), Dr. Liao Yi (廖逸) and Mr. Su Ping (蘇平). Dr. Su Xinlong (蘇新龍) who has "appropriate accounting or related financial management expertise" pursuant to the note of Rule 3.10(2) of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;

- examining the financial information of our Company and reviewing financial reports and statements of our Company;

- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and

- dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of 3 Directors, namely Dr. Liao Yi (廖逸), Dr. Kang Junyong (康俊勇) and Ms. Pan Menghan (潘夢菡). Dr. Liao Yi (廖逸) serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;

- reviewing the structure, size and composition of our Board at least annually, assist the Board in maintaining a board skills matrix and making recommendations on any proposed changes to our Board;

- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board;

- supporting the Company's regular evaluation of the Board's performance; and

- dealing with other matters that are authorized by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of 3 Directors, namely Dr. Kang Junyong (康俊勇), Dr. Liao Yi (廖逸) and Dr. Su Xinlong (蘇新龍). Dr. Kang Junyong (康俊勇) serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior managements remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- monitoring the implementation of remuneration system of our Company;

- making recommendations on the remuneration packages of our Directors and senior management; and

- dealing with other matters that are authorized by our Board.

Strategy Committee

The Strategy Committee of our Company consists of three Directors, namely Dr. Zhao, Dr. Kang Junyong (康俊勇) and Dr. Su Xinlong (蘇新龍). Dr. Zhao serves as the chairman of the Strategy Committee. The primary duties of the Strategy Committee include, but not limited to, the following:

- conducting regular review and making recommendations on our Company's business objectives and medium-term and long-term development strategies in light of our Company's operating;
- reviewing and making recommendations on major investment and financing plans, subject to the approval of our Board pursuant to the Articles of Association;
- reviewing and making recommendations on major transactions subject to approval of our Board pursuant to the Articles of Association;
- reviewing and making recommendations on matters materially affecting the development of our Company;
- examining the implementation of the above matters and report to the Board; and
- dealing with other matters that are authorized by our Board.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2025, and (ii) understands his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

COMPENSATION OF DIRECTORS AND SUPERVISORS

Our Directors and Supervisors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, the aggregate amount of remuneration paid or payable to our Directors amounted to RMB30,530,000, RMB13,538,000, RMB23,895,000, and RMB9,844,000, respectively.

For the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, the aggregate amount of remuneration paid or payable to our Supervisors amounted to RMB73,000, RMB6,067,000, RMB8,799,000, and RMB3,896,000, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2025 to be approximately RMB33,400,000.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB2,101,000, RMB62,014,000, RMB108,192,000 and RMB48,107,000 for the years ended December 31, 2022, 2023 and 2024, and the five months ended May 31, 2025, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed in this section headed "Compensation of Directors and Supervisors", 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.

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules after the [**REDACTED**].

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, finance, accounting and corporate governance in addition to industry experience. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Our Company also intends to promote gender diversity at the

mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [**REDACTED**], our Nomination Committee will examine the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis. Our Board currently consists four female Directors and five male Directors. Going forward, we will continue to work on gender diversity of our Board when selecting and recommending suitable candidates for Board appointments and will maintain at least one female Director on the Board. To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels, and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

COMPLIANCE ADVISER

We have appointed Rainbow Capital (HK) Limited as our Compliance Adviser pursuant to Rules 3A.19 and 3A.23 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(c) where we propose to use the [**REDACTED**] from 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 or other information in this Document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [**REDACTED**] of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Adviser will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

The term of the appointment will commence on the [**REDACTED**] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

OUR SINGLE LARGEST SHAREHOLDER

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), Dr. Zhao will control [**REDACTED**]% of our total issued share capital and he will be our Single Largest Shareholder upon [**REDACTED**].

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Single Largest Shareholder or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Single Largest Shareholder and his close associates upon and after the [**REDACTED**].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to customers and suppliers, as well as our own registered patents which can be used for producing our products. We have a team of senior management to operate the business independently from our Single Largest Shareholder and his close associates. We also have access to third parties independently from, and not connected with, our Single Largest Shareholders for sources of suppliers, customers and business partners. Based on the above, our Directors believe that we are operationally independent from our Single Largest Shareholder and their his close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from Single Largest Shareholder and his close associates for the following reasons:

(a) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(b) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(c) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or Single Largest Shareholder or any of his close associates have a material interest, the relevant Directors or our Single Largest Shareholder and his close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have a finance department independent from our Single Largest Shareholder and his close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Single Largest Shareholder and his close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the [**REDACTED**] Investments from third party investors independently. For details of the [**REDACTED**] Investments, see "History, Development and Corporate Structure" of this Document. As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Single Largest Shareholder or his close associates, nor were there any pledges and guarantees provided by and to our Single Largest Shareholder or his respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Single Largest Shareholder and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Shareholder or any of his close associates has a material interest, our Single Largest Shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;

- our Group has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if any transaction is proposed between our Group and our Single Largest Shareholder and his associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;

- our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing more than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Single Largest Shareholder and provide impartial and professional advice to protect the interests of our minority Shareholders;

- 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

- we have appointed Rainbow Capital (HK) Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Single Largest Shareholder, and to protect our minority Shareholders' interests after the [**REDACTED**].

This section presents certain information regarding our share capital before and upon completion of the [**REDACTED**].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company was RMB404,092,760 comprising 404,092,760 Unlisted Shares with a nominal value of RMB1.00 each.

UPON THE COMPLETION OF THE [REDACTED]

Immediately following the completion of the [**REDACTED**] and the conversion of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	**100.00**

Immediately following the completion of the [**REDACTED**] and the conversion of Unlisted Shares into H Shares, assuming that the [**REDACTED**] is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	**100.00**

RANKING

Upon completion of the [**REDACTED**], we would have only one class of Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, except for certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai — Hong Kong Stock Connect or 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 for by or [**REDACTED**] between legal or natural persons of the PRC. Unlisted Shares and H Shares will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of the H Shares are to be paid by us in Renminbi, Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC, the holders of our Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the required filings with the securities regulatory authorities of the State Council for the conversion, listing and trading of such converted Shares have been completed. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in the section headed "History, Development and Corporate Structure — Capitalization" and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their Unlisted Shares.

If any of the Unlisted Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Stock Exchange, the filings with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set forth below, we will apply for the [**REDACTED**] of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the [**REDACTED**] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the [**REDACTED**]. As the [**REDACTED**] of additional Shares after the [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong. No class Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite filings have been completed and approvals have been obtained, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and our Company will re-register such Shares on the [**REDACTED**] maintained in Hong Kong and instruct the [**REDACTED**] to issue [**REDACTED**]. Registration on the [**REDACTED**] of our Company will be on the conditions that (i) the [**REDACTED**] lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the [**REDACTED**] and the due dispatch of [**REDACTED**]; and (ii) the admission of the H Shares to be [**REDACTED**] on the Stock Exchange complies with the Listing Rules and the [**REDACTED**] and the [**REDACTED**] in force from time to time.

Until the converted Shares are re-registered on the [**REDACTED**] of our Company, such Shares would not be [**REDACTED**] as H Shares. For details of our existing Shareholders' proposed conversion of Unlisted Shares into H Shares, see "History, Development and Corporate Structure — Capitalization" in this Document.

RESTRICTIONS OF SHARE TRANSFER

Pursuant to the PRC Company Law, our Shares issued prior to the [**REDACTED**] shall not be transferred within one year from the [**REDACTED**].

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors, Supervisors and members of the senior management in our Company.

SHAREHOLDERS' GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix IV — Summary of Articles of Association" in this Document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the conversion of our Unlisted Shares to H Shares assuming the [**REDACTED**] is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As of the Latest Practicable Date		Immediately following the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in our total share capital	Number of Shares	Approximate percentage of shareholding in the Unlisted Shares/ H Shares	Approximate percentage of shareholding in our total share capital
			(%)		*(%)*	
Dr. Zhao	Beneficial owner	116,560,399	28.85%	[**REDACTED**] Unlisted Shares (L)	[**REDACTED**]%	[**REDACTED**]%
				[**REDACTED**] H Shares (L)	[**REDACTED**]%	[**REDACTED**]%
Mr. Li Qinghua[(1)] . .	Beneficial owner and interest as spouse	43,523,817	10.77%	[**REDACTED**] Unlisted Shares (L)	[**REDACTED**]%	[**REDACTED**]%
				[**REDACTED**] H Shares (L)	[**REDACTED**]%	[**REDACTED**]%
Ms. Xu Xiyun[(1)] . .	Interest in controlled corporation and interest as spouse	43,523,817	10.77%	[**REDACTED**] Unlisted Shares (L)	[**REDACTED**]%	[**REDACTED**]%
				[**REDACTED**] H Shares (L)	[**REDACTED**]%	[**REDACTED**]%
Mr. Su Ping (蘇平)[(2)]	Interest in controlled corporation	56,749,358	14.04%	[**REDACTED**] Unlisted Shares (L)	[**REDACTED**]%	[**REDACTED**]%
				[**REDACTED**] H Shares (L)	[**REDACTED**]%	[**REDACTED**]%
Xike Zhongheng[(2)]. .	Beneficial owner	56,749,358	14.04%	[**REDACTED**] Unlisted Shares (L)	[**REDACTED**]%	[**REDACTED**]%
				[**REDACTED**] H Shares (L)	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) Xincheng Zhongchuang is managed by Ms. Xu Xiyun, the spouse of Mr. Li Qinghua. As such, Mr. Li Qinghua is deemed to be interested in the Shares held by Xincheng Zhongchuang under the SFO, and Ms. Xu Xiyun is deemed to be interested in the Shares held by Mr. Li Qinghua under the SFO.

(2) Xike Zhongheng is one of our [**REDACTED**] investors and a limited partnership established in the PRC, managed by its general partner, Mr. Su Ping (蘇平). As such, Mr. Su Ping (蘇平) is deemed to be interested in the Shares held by Xike Zhongheng under the SFO.

Save as disclosed above and the section headed "Appendix V — Statutory and General Information — Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders — Interests of the substantial shareholders in the Shares" in this Document, our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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 meeting of the Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

You should read the following discussion and analysis in conjunction with our consolidated financial information including the notes thereto, included in the Accountant's Report set out in Appendix I to this Document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Document, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a global leader in the silicon carbide (SiC) epitaxy industry. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume, with a market share exceeding 30% in 2024.

We are committed to developing SiC epitaxy technology for manufacturing high-quality SiC epitaxial wafers, enabling us to capture market share with our reliable product quality and stable production capacity. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers and the first in China to commercialize and mass-produce 3-inch, 4-inch, 6-inch, and 8-inch SiC epitaxial wafers. We led the writing and establishment of the world's first and only Semiconductor Equipment and Materials International (SEMI) industry standard for SiC epitaxy. In 2024, our cumulative sales combining sales under Turnkey and Consign models exceeded 164,000 SiC epitaxial wafers. During the Track Record Period, we have delivered a total of over 599,700 SiC epitaxial wafers.

Among SiC epitaxial foundries worldwide, we achieved reliable performance in terms of product quality, yield rates and consistency. According to CIC, our products lead the industry in key performance metrics for SiC epitaxial products, including epitaxial thickness, doping concentration, epitaxial defect and yield rates. For example, for our Consign service provided to a leading global SiC device manufacturer, our SiC epitaxial wafer products reached a yield rate of 99%. Our success is also demonstrated by our profitability and cash flow in the Track Record Period. In 2024, our revenue, adjusted net profit (Non-IFRS measure) and operating cash flow reached RMB974.3 million, RMB323.5 million and RMB640.6 million, respectively. In the early stage of our operations, we primarily focused on the R&D of SiC epitaxial wafers, with substantial R&D investments and relatively low yield rates, resulting in an overall loss-making status. We also made substantial investments in production assets while primarily manufacturing on 4-inch SiC epitaxial wafers, which catered to a relatively limited market segment. During this period, we had not yet achieved mass production or large-scale sales, resulting in relatively low gross margins. Since 2020, however, market demand for 6-inch SiC epitaxial wafers has grown significantly. In response, we

have strategically expanded our production capacity to capture a larger share of the expanding 6-inch wafer market. We had incurred accumulated losses of RMB129.2 million as of January 1, 2022, but recorded net profits of RMB127.5 million, RMB107.5 million, RMB165.1 million, RMB118.4 million and RMB21.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. The primary reasons for our turnaround from losses to profitability during the Track Record Period were the significant growth in market demand for our SiC epitaxial products, primarily driven by the increasing adoption of silicon carbide in new energy vehicles, which substantially increased our operating revenue, as well as rising demand from our customers.

The sales volume and revenue of our epitaxial wafers we achieved during the Track Record Period was mainly due to (i) the widespread adoption of global automotive electrification, photovoltaic power generation, and smart grid applications in recent years, as SiC devices leveraging their excellent physical properties have seen continuous growth in market size and penetration, driving increased demand for epitaxial wafers; and (ii) our leading process technology, high-quality products, comprehensive delivery management, and after-sales services, through which we have gradually accumulated key customer resources from leading domestic and international SiC power device manufacturers, maintaining long-term and strong cooperative relationships that support sustainable revenue growth.

We offer and generate revenue from sales of SiC epitaxial wafers through Turnkey and Consign models. The key difference between the two models is the source of the substrates: we procure substrates under the Turnkey model and our customers supply substrates to us under the Consign model. Both services enable our customers to rely on our cumulative expertise in the production of SiC epitaxial wafers. During the Track Record Period, the average selling price of our SiC epitaxial wafers products showed an overall trend of decline. Specifically, the average price of 6-inch SiC epitaxial wafers declined year by year during the Track Record Period, while the average price of 4-inch wafers initially declined before subsequently rising. For 6-inch epitaxial wafers, the decline in average selling price was primarily due to lower raw material costs, which reduced unit production expenses and reflected broader industry trends.

During the Track Record Period, our revenue reached RMB440.7 million, RMB1,142.5 million, RMB974.3 million, RMB808.3 million and RMB535.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Gross profit for the same period was RMB196.9 million, RMB445.4 million, RMB332.3 million, RMB285.7 million and RMB137.1 million, with gross profit margins of 44.7%, 39.0%, 34.1%, 35.3% and 25.6%, respectively. Net profit was RMB127.5 million, RMB107.5 million, RMB165.1 million, RMB118.4 million and RMB21.1 million, while adjusted net profit (Non-IFRS measure) was RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million, respectively. Since 2024, our financial performance has been adversely affected by competitive market pressures that reduced our selling prices, coupled with weakened demand due to a downturn in our downstream customers' markets.

During the Track Record Period, our total assets grew steadily from 2022 to 2024 on an annual basis. Our total assets were RMB1,453.6 million, RMB3,073.6 million, RMB4,502.9 million and RMB4,366.6 million as of December 31, 2022, 2023 and 2024 and September 30, 2025, while total liabilities were RMB870.1 million, RMB1,609.4 million, RMB1,689.5 million and RMB1,389.2 million, respectively. Our net assets were RMB583.5 million, RMB1,464.2 million, RMB2,813.5 million and RMB2,977.5 million as of December 31, 2022, 2023 and 2024 and September 30, 2025.

During the Track Record Period, our net cash flow generated from operating activities showed strong performance and growth from 2022 to 2024 on an annual basis, amounting to RMB170.0 million, RMB415.2 million, RMB640.6 million, RMB470.9 million and RMB176.2 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Our net cash flow used in investing activities was RMB505.3 million, RMB1,140.5 million, RMB144.3 million, RMB144.5 million and RMB21.5 million in 2022, 2023 and 2024 and for the nine months

ended September 30, 2024 and 2025, respectively. Our net cash flow generated from financing activities was RMB459.1 million, RMB1,000.4 million, RMB984.8 million and RMB289.6 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024, and net cash flow used in financing activities was RMB352.6 million for the nine months ended September 30, 2025. As a result, cash and cash equivalents as of December 31, 2022, 2023 and 2024 and September 30, 2024 and 2025 amounted to RMB274.4 million, RMB549.5 million, RMB2,030.7 million, RMB1,165.5 million and RMB1,832.8 million, respectively.

BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements"). For details of the basis of preparation, see Note 2 to the Accountant's Report included in Appendix I to this Document.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 to the Accountant's Report included in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations. Our business, results of operations and financial performance are principally affected by the following factors:

The Market Demand from Key Industries and Our Product Offerings

Currently, SiC epitaxial wafer offered in the market can be classified as 3-inch, 4-inch, 6-inch and 8-inch in terms of its size. According to CIC, we were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers and the first in China to mass-produce and commercialize a comprehensive set of 3-inch, 4-inch, 6-inch, and 8-inch SiC epitaxial wafers.

Driven by technological developments in processing power, miniaturization and energy efficiency, as well as increasing demand from downstream industries, the SiC device market size witnessed overall growth from 2019 to 2024. Our revenue increased from RMB440.7 million in 2022 to RMB974.3 million in 2024, mainly driven by the increased market demand.

Our Ability to Offer Competitive Products and Enrich Product Offerings

Our products are primarily based on the SiC epitaxy technologies, and our future success depends on the successful upgrade and expansion of our SiC epitaxy wafer product portfolio. According to CIC, since 2023, we have been the world's largest SiC epitaxial foundry by annual sales volume, commanding a market share exceeding 30% in 2024. We believe our competitive product offerings are the backbone of our industry leading position and commercial success.

Our customers are constantly seeking products with better performance, and our success relies heavily on our ability to continue to develop and provide our customers with innovative products and improve existing products. During the Track Record Period, our SiC epitaxial wafer products are primarily sold to leading SiC power device companies with various end applications. Our continued success depends significantly on our ability to offer competitive products and enrich product offerings to cater to customers' evolving demands.

Changes in Market Prices of Raw Materials and SiC Epitaxial Wafer Products and Our Manufacturing Costs

During the Track Record Period, raw material costs were the largest component of our cost of sales. Our raw material costs amounted to RMB180.0 million, RMB495.0 million, RMB411.3 million, RMB327.3 million and RMB214.2 million, respectively, in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, representing for 73.9%, 71.0%, 64.1%, 62.6% and 53.8%, respectively, of our total cost of sales in the same periods. Our production costs and profit margin depend on our ability to source key raw materials at competitive prices. We procure a variety of raw materials necessary for the manufacturing of our SiC epitaxial wafers, including conductive SiC substrates and other accessory materials such as graphite components, chemicals, packaging materials and special gases. Any fluctuation in prices of raw materials or availability of raw materials could affect our pricing, production costs and, in turn the gross profit margin of our products. If we fail to price our products at a level that achieve desired margin while still remaining competitive in the market, our performance and results of operation will be adversely affected.

Changes in Overseas Demand and Trade Policies

Our business is subject to changes in customer demand from our overseas customers and trade policies such as tariffs or harsh trade conditions or other trade-related measures in various forms against certain countries. Sales to overseas markets, contributed a substantial portion of our revenue during the Track Record Period. Our revenue generated outside Greater China was amounted to RMB273.0 million, RMB835.3 million, RMB766.7 million, RMB646.9 million and RMB195.0 million, respectively, in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, accounting for 61.9%, 73.1%, 78.7%, 80.0% and 36.5% of our total revenue for the respective periods.

Changes in international trade policies can significantly impact our export activities. Adjustments in tariffs, quotas, and trade agreements may either facilitate or hinder our access to overseas markets. We must stay informed about these policy shifts to adapt our strategies accordingly, ensuring compliance and optimizing our competitive advantage in the global marketplace. Accordingly, our revenue and results of operations may be affected. We cannot fully predict or control the implications of any change in international trade policies and the resulting impact on our industry and the global economy. See "Risk Factors — Risks Related to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by geopolitical tensions, international trade policies, international export controls and economic sanctions."

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of the historical financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying our accounting policies. Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. For details on such estimates and judgments, see Note 3 to the Accountant's Report included in Appendix I to this Document. For accounting treatment and details of [**REDACTED**] investments, see Note 30 to the Accountants' Report.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements:

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Contract liabilities represent advanced consideration received from customers.

The determination of whether revenue shall be reported on a gross or net basis is based on an assessment of whether we are acting as the principal or an agent in the transactions. If we provide significant integration service to the hardware and is responsible for the overall management of the contract, we are the principal in the transaction and recognizes revenue in the gross amount of consideration to which it is entitled from the customer. We report the amount received from the

customers and the amounts paid to the suppliers related to these transactions on a net basis if we are not primarily obligated in a transaction, does not generally bear the inventory risk and does not have the ability to establish the price.

Other Income

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI, and is calculated by applying the effective interest rate to the gross carrying amount of the debt instruments when the asset is not credit-impaired. For debt instruments that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Share-based Payments

We operate share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Employees (including directors) of us receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Further details are included in Note 36 to the historical financial information of the Accountant's Report included in Appendix I of this Document.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Track Record Period until the vesting date reflects the extent to which the vesting periods has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that periods.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either us or the employee are not met. However, if a new award is substituted for the canceled award and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Impairment of Assets (other than Financial Assets)

At the end of each reporting period, the Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment, including right-of-use assets;
- Investments in subsidiary; and
- Intangible assets.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently as cash generating units (CGUs). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount, which equals to the greater of the fair value less costs of disposal and value-in-use, of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another IFRS rule, in which case the impairment loss is treated as a revaluation decrease under that IFRS rule.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. In respect of assets other than goodwill, reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS. An impairment loss in respect of goodwill is not reversed.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment of Financial Assets

The measurement of the expected credit losses (ECLs) allowance for financial assets measured at amortized cost is an area that requires the use of significant assumptions about future economic conditions and credit behavior, such as the likelihood of customers defaulting and the resulting losses. A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgments and assumptions used in measuring ECLs is set out in Note 4.10(b) and Note 42(b) to the Accountant's Report included in Appendix I. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognized.

Financial Liabilities and Equity

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial Liabilities

We classify our financial liabilities at amortized cost. Financial liabilities at amortized cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortized cost including trade and bills payables and other payables and accruals are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized as described in Note 4.15 in Appendix I.

Gains or losses are recognized in profit or loss when the liabilities are de-recognized as well as through the amortization process.

SUMMARY OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss for the years and periods indicated derived from the Accountant's Report included in Appendix I to this Document:

	Years Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Revenue	**440,691**	**1,142,502**	**974,316**	**808,250**	**535,063**
Cost of sales	(243,754)	(697,103)	(642,007)	(522,542)	(397,982)
Gross profit	**196,937**	**445,399**	**332,309**	**285,708**	**137,081**
Other income and other gains, net	21,534	63,451	168,402	107,583	132,621
Selling and distribution expenses	(1,866)	(48,776)	(5,513)	(6,770)	(8,224)
Administrative and other expenses	(48,136)	(162,749)	(175,575)	(147,142)	(155,126)
Research and development costs	(43,829)	(101,786)	(79,992)	(62,096)	(50,374)
(Impairment loss)/reversal of impairment loss on financial assets, net	(901)	149	(1,253)	(200)	(2,116)
Finance costs	(20,281)	(32,535)	(30,197)	(21,595)	(9,636)
Profit before taxation	**103,458**	**163,153**	**208,181**	**155,488**	**44,226**

	Years Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Income tax credit/(expense)	24,085	(55,648)	(43,114)	(37,075)	(23,081)
Profit for the year/period	**127,543**	**107,505**	**165,067**	**118,413**	**21,145**

For accounting treatment and details of [**REDACTED**] investments, see Note 32 to the Accountants' Report.

NON-IFRS MEASURE

To supplement our consolidated financial statements presented in accordance with IFRSs, we use adjusted net profit (Non-IFRS measure) for the period as additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company and provides useful information to [**REDACTED**] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of adjusted net profit (Non-IFRS measure) for the periods may not be comparable to similarly titled measure presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and [**REDACTED**] should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit (Non-IFRS measure) for the period as profit for the period adjusted by adding back (i) equity-settled share-based payment expenses, which are non-cash in nature, (ii) interest expenses for redemption right, which will be converted into equity of the Company upon the [**REDACTED**], and (iii) [**REDACTED**] expense, which are related to the [**REDACTED**].

The following table reconciles our adjusted net profit (Non-IFRS measures) for the year/period presented in accordance with IFRSs, namely profit for the period:

	Years Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Profit for the period	**127,543**	**107,505**	**165,067**	**118,413**	**21,145**
Adjustment by adding back:					
Equity-settled share-based payment	28,575	256,210	154,249	141,163	124,484
Interest expenses for redemption right	15,825	14,387	1,334	1,000	344
Listing expense for previous listing application	–	5,678	2,853	–	–
[**REDACTED**] expense for the [**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (Non-IFRS measure)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Adjusted net profit (Non-IFRS measure)

We had adjusted net profit (Non-IFRS measure) of RMB171.9 million, RMB383.8 million, RMB323.5 million, RMB263.4 million and RMB163.3 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. Our adjusted net profit (Non-IFRS measure) is adjusted by adding back equity-settled share-based payment to profit for the year/period.

DESCRIPTION OF KEY COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate revenue from sales of SiC epitaxial wafers through Turnkey and Consign models. The key difference between the two models is the source of the substrates: we procure substrates under the Turnkey model and our customers supply substrates to us under the Consign model. Both services enable our customers to rely on our cumulative expertise in the production of SiC epitaxial wafers. See "Business — Our Products and Business Models" for details of our Turnkey and Consign services. We apply consistent revenue recognition policies between Turnkey and Consign services under which we recognize revenue at the point of delivery to customers. During the Track Record Period, the revenue generated from Turnkey service amounted to RMB277.8 million, RMB847.7 million, RMB839.6 million, RMB679.1 million and RMB483.4 million accounting for 63.0%, 74.2%, 86.2%, 84.0% and 90.3% in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025 of total revenue during the same periods, respectively. The revenue generated from Consign service amounted to RMB156.6 million, RMB292.8 million, RMB121.1 million, RMB118.1 million and RMB23.2 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, accounting for 35.5%, 25.6%, 12.4%, 14.6% and 4.3% of total revenue during the same periods, respectively.

The following table sets forth a breakdown of our revenue by product/type of service for the years and periods indicated, in absolute amounts and as percentages of revenue.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
							(unaudited)			
Turnkey										
3-inch	–	–	–	–	–	–	–	–	4	0.0
4-inch	18,961	4.3	2,217	0.2	1,671	0.2	1,348	0.2	9	0.0
6-inch	258,802	58.7	839,477	73.5	736,223	75.6	593,814	73.5	407,702	76.2
8-inch	–	–	5,985	0.5	101,683	10.4	83,981	10.4	75,689	14.1
Subtotal	**277,763**	**63.0**	**847,679**	**74.2**	**839,577**	**86.2**	**679,143**	**84.0**	**483,403**	**90.3**
Consign										
4-inch	522	0.1	55	0.0	31	0.0	8	0.0	2,370	0.4
6-inch	156,047	35.4	292,695	25.6	121,072	12.4	118,092	14.6	20,579	3.8
8-inch	–	–	–	–	–	–	–	–	246	0.0
Subtotal	**156,569**	**35.5**	**292,750**	**25.6**	**121,103**	**12.4**	**118,100**	**14.6**	**23,194**	**4.3**
Others[(1)]	6,359	1.4	2,073	0.2	13,636	1.4	11,007	1.4	28,466	5.3
Total	**440,691**	**100.0**	**1,142,502**	**100.0**	**974,316**	**100.0**	**808,250**	**100.0**	**535,063**	**100.0**

Note:

(1) Others mainly include sales of SiC substrate.

Revenue by Region

During the Track Record Period, we derived revenues from sales to customers in various regions, mainly Asia and Europe. Our revenue from Asia and Europe markets accounted for 96.4%, 93.5%, 96.6%, 96.4% and 97.2% of our total revenue in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. In addition, the revenue from Greater China amounted to RMB167.7 million, RMB307.2 million, RMB207.7 million, RMB161.3 million and RMB340.0 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. We record revenue from our customers by region based on the customer's registered address or place of incorporation.

The following table sets forth a breakdown of revenue by region, based on the locations of our direct contracting customers, for the years and periods indicated, in absolute amount and as percentage of total revenues.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Revenue by region										
Asia[(1)]	275,470	62.5	745,221	65.2	672,429	69.0	543,971	67.3	455,961	85.2
Greater China	167,703	38.1	307,249	26.9	207,656	21.3	161,343	20.0	340,026	63.5
Europe[(2)]	149,339	33.9	323,343	28.3	268,943	27.6	235,014	29.1	64,160	12.0
North America[(3)]	14,083	3.2	73,938	6.5	32,944	3.4	29,265	3.6	14,942	2.8
Others[(4)]	1,799	0.4	–	–	–	–	–	–	–	–
Total	**440,691**	**100.0**	**1,142,502**	**100.0**	**974,316**	**100.0**	**808,250**	**100.0**	**535,063**	**100.0**

Notes:

(1) Asia primarily comprises Greater China, South Korea and Japan.

(2) Europe primarily comprises Austria, Switzerland and the U.K.

(3) North America primarily comprises the U.S.

(4) Other primarily comprises Australia.

Cost of Sales

Our cost of sales primarily include (i) raw materials, which mainly include conductive SiC substrates, graphite components, gases, chemicals and packaging materials, (ii) labor costs, which mainly include salaries and benefits, and (iii) share-based payment for our production personnel, (iv) depreciation of our production plant and equipment, utility expenses and parts and consumables, and (v) others.

Our cost of sales increased from RMB243.8 million in 2022 to RMB697.1 million in 2023, primarily due to the expansion of production capacity, a significant increase in sales volume during the same period and increased share-based payment for our employees. In 2023, we also recognized a substantial share-based payment, which included a portion of a one-time recognized share-based payment to attract and retain talents and for them to share and contribute to our growth. The employee share-based payments consist of two parts: the portion without a service period is recognized as a one-time expense in 2023, allocated to costs, selling expenses, or administrative expenses based on the employee's department; the portion with a service period is amortized over the service period and allocated to the corresponding costs or expenses for each year.

Our cost of sales decreased from RMB697.1 million in 2023 to RMB642.0 million in 2024, primarily due to a significant reduction in share-based payment expenses. This was because the one-time recognized share-based payment in 2023 was not present in 2024. Additionally, depreciation increased significantly as buildings and production equipment in our production site were gradually capitalized.

Our cost of sales decreased from RMB522.5 million for the nine months ended September 30, 2024 to RMB398.0 million for the same period in 2025, primarily due to the decrease in the costs of raw materials, in line with the fluctuation of our revenues. This was partially offset by the increase in our depreciation, primarily due to the completion of our certain construction projects, which started to record depreciation. In addition, share-based payment expenses were higher for the nine months ended September 30, 2024 than for the year ended December 31, 2024, as a partial reversal was recorded in the fourth quarter of 2024 following management's reassessment of certain sales targets under the incentive plan.

The following table sets forth a breakdown of cost of sales by nature for the years and periods indicated. See "— Discussion of Results of Operations" for year-over-year discussions of the changes of our cost of sales.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Raw material	180,013	73.9	494,960	71.0	411,273	64.1	327,301	62.6	214,202	53.8
Labor cost	25,747	10.5	53,683	7.7	57,673	9.0	51,941	9.9	36,725	9.2
Share-based payment	–	0.0	57,816	8.3	3,521	0.5	6,845	1.3	4,088	1.1
Depreciation	22,171	9.1	57,546	8.3	134,805	21.0	112,634	21.6	115,589	29.0
Others[(1)]	15,934	6.5	28,546	4.1	33,665	5.2	25,340	4.8	25,018	6.3
Less:										
Provision	(111)	(0.0)	4,552	0.6	1,070	0.2	(1,518)	(0.2)	2,360	0.6
Total	**243,754**	**100.0**	**697,103**	**100.0**	**642,007**	**100.0**	**522,543**	**100.0**	**397,982**	**100.0**

Note:

(1) Others mainly include tax expenses related to operations, energy cost and testing costs.

Gross Profit and Gross Profit Margin

The following table sets forth the gross profit and gross profit margins of the Group during the Track Record Period.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB in thousands, except for percentages)									
							(unaudited)			
Turnkey	99,808	35.9	301,809	35.6	278,571	33.2	230,333	33.9	143,183	29.6
Consign	97,331	62.2	151,734	51.8	58,868	48.6	61,049	51.7	2,483	10.7
Others[(1)]	(201)	(3.2)	(8,143)	(329.9)	(5,130)	(37.6)	(5,674)	(51.6)	(8,585)	(30.2)
Total	**196,937**	**44.7**	**445,399**	**39.0**	**332,309**	**34.1**	**285,708**	**35.3**	**137,081**	**25.6**

Note:

(1) Others primarily represent sales of substrates.

Our gross profit represents our revenue less our cost of sales, and our gross margin represents gross profit divided by our revenue, expressed as a percentage. As a result of the foregoing, in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our gross profit was RMB196.9 million, RMB445.4 million, RMB332.3 million, RMB285.7 million and RMB137.1 million, respectively. Our overall gross profit margin was 44.7%, 39.0%, 34.1%, 35.3% and 25.6% for the same periods, respectively.

Our gross profit fluctuated during the Track Record Period, primarily due to changes in revenue. Our revenue increased by RMB701.8 million, from RMB440.7 million in 2022 to RMB1,142.5 million in 2023, which is mainly driven by the rapid growth of market demand. This drove a concurrent expansion in the gross profit of both Turnkey and Consign models. Our gross profit of Turnkey model increased by RMB747.9 million from 2022 to 2023, and our gross profit of Consign model increased by RMB195.4 million during the same period. However, our gross profit margin decreased from 44.7% in 2022 to 39.0% in 2023, primarily due to an increase in share based payments for core personnel in 2023.

Subsequently, our gross profit decreased from RMB445.4 million in 2023 to RMB332.3 million in 2024. This was mainly due to a reduction in gross profit from Consign service, which fell from RMB151.7 million in 2023 to RMB58.9 million in 2024. Additionally, our gross profit margin declined from 39.0% in 2023 to 34.1% in 2024, primarily because (i) the gross profit margin of our Consign service decreased from 51.8% to 48.6%, mainly due to the downward price pressure across the industry, and (ii) the proportion of revenue from our Turnkey increased, which has a relatively lower gross profit margin due to our revenue from and costs by Turnkey model both incorporate the price of the substrates. As we procure substrates under the Turnkey model, fluctuations in substrate prices could impact our margins. In addition, an increase in depreciation expenses contributed to higher costs in 2024.

Our gross profit decreased from RMB285.7 million for the nine months ended September 30, 2024 to RMB137.1 million for the same period in 2025. This was mainly due to the decrease in gross profit from our Turnkey service from RMB230.3 million for the nine months ended September 30, 2024 to RMB143.2 million for the same period in 2025, primarily due to our competitive pricing strategies, which were supported by the decline in raw material costs, including substrates. Additionally, gross profit from our Consign service decreased from RMB61.0 million for the nine months ended September 30, 2024 to RMB2.5 million for the same period in 2025, primarily due to the decrease in revenue, which was in turn because certain of our major customers experienced fluctuations in their business operations and reduced their procurement. Our gross profit margin decreased from 35.3% for the nine months ended September 30, 2024 to 25.6% for the same period in 2025, primarily due to our competitive pricing strategies and the decrease in the proportion of our Consign service, which inherently has a higher profit margin, combined with the write-down of inventories we recorded in the first quarter of 2025.

During the Track Record Period, a significant portion of our gross profit was attributed to our 6-inch SiC epitaxial wafers, in line with its relatively high sales volume. Our gross profit margin of 6-inch SiC epitaxial wafers under Turnkey model generally ranges from 30% to 35%, while our gross profit margin of 6-inch SiC epitaxial wafers under Consign model was approximately 50% during the Track Record Period. We experienced a decrease in gross profit margin of 6-inch SiC epitaxial wafers under Consign model for the nine months ended September 30, 2025, primarily due to the limited sales volume in that period, in combination with a decline in pricing.

Other Income and Other Gains, net

Other income and other gains, net primarily consist of (i) government grants, (ii) bank interest income from our time deposits, (iii) gain on disposal of property, plant and equipment, (iv) exchange gains/(losses), and (v) others.

Our government grants primarily consist of (i) asset-related grants and (ii) income-related grants. Asset-related grants refer to grants obtained by us for the purpose of purchasing, constructing, or otherwise forming long-term assets. The specific criterion for classifying a grant as asset-related is that it is used for the acquisition or formation of long-term assets. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our asset-related grants amounted to RMB7.3 million, RMB16.9 million, RMB23.9 million, RMB17.6 million and RMB23.8 million, respectively, which was then invested in our assets to support our business operation. Income-related grants are typically designed to compensate for expenses or losses, with the aim of encouraging research and development activities, as well as supporting business operations and growth. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our income-related grants amounted to RMB6.2 million, RMB30.4 million, RMB88.0 million, RMB78.1 million and RMB79.2 million, respectively, which was then used for various expenses in our ordinary and usual course of business.

Majority of our government grants are one-off in nature, although the actual grants can be by allotments. According to our agreements with the relevant government authority, the government grants were subject to certain conditions such as the Company's financial performance, capital investments and local tax contributions. There was no unfulfilled condition to receive government grants at the end of each period. Our government grants increased by RMB33.8 million from 2022 to 2023, RMB64.5 million from 2023 to 2024, and RMB7.3 million from the nine months ended September 30, 2024 to the same period in 2025. For the nine months ended September 30, 2025, our net profit was primarily attributable to the one-off government grants of RMB103.0 million, and we would have incurred loss for the period without the grants. According to CIC, it is common industry practice for governments to provide similar grants to other companies in the SiC or SiC epitaxial wafer industry.

The following table sets forth a breakdown of our other income and other gains, net for the years/periods indicated.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
Other income and other gains, net										
Government grants	13,508	62.7	47,350	74.6	111,894	66.5	95,719	89.0	103,035	77.6
Bank interest income	3,480	16.2	12,103	19.1	39,950	23.7	26,363	24.5	48,889	36.9
Gain/(loss) on disposal of property, plant and equipment	26	0.1	3,487	5.5	20	0.0	20	0.0	(5)	0.0
Fair value loss on derivatives financial instruments	–	–	–	–	–	–	–	–	(2,140)	(1.6)
Exchange gain/(loss)	4,433	20.6	463	0.7	16,482	9.8	(14,570)	(13.5)	(17,203)	(13.0)
Others	87	0.4	48	0.1	56	0.0	51	0.0	45	0.0
Total	**21,534**	**100.0**	**63,451**	**100.0**	**168,402**	**100.0**	**107,583**	**100.0**	**132,621**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses primarily include share-based payments, employee expenses, travel expenses, sample costs and others. We recognized share-based payment of RMB46.2 million, RMB1.6 million, RMB4.2 million and RMB2.2 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively, accounting for 94.8%, 29.8%,

61.7% and 27.3% in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025 of total sales and distribution expenses, respectively. The relatively large amount in 2023 was primarily due to the amortization of share-based compensation expenses for key sales personnel in 2023. In addition, share-based payment expenses were higher for the nine months ended September 30, 2024 than for the year ended December 31, 2024, as a partial reversal was recorded in the fourth quarter of 2024 following management's reassessment of certain sales targets under the incentive plan. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our selling and distribution expenses were RMB1.9 million, RMB48.8 million, RMB5.5 million, RMB6.8 million and RMB8.2 million, respectively, representing 0.4%, 4.3%, 0.6%, 0.8% and 1.5% of our revenue, respectively.

The following table sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as a percentage of total selling and distribution expenses, for the years and periods indicated.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Selling and distribution expenses										
Share-based payments	–	–	46,219	94.8	1,642	29.8	4,174	61.7	2,248	27.3
Employee expenses	1,614	86.5	1,778	3.6	2,174	39.4	1,477	21.8	2,157	26.2
Travel expenses	54	2.9	328	0.7	505	9.2	249	3.7	721	8.8
Sample costs	91	4.9	346	0.7	735	13.3	693	10.2	2,646	32.2
Others[(1)]	107	5.7	105	0.2	457	8.3	177	2.6	452	5.5
Total	**1,866**	**100.0**	**48,776**	**100.0**	**5,513**	**100.0**	**6,770**	**100.0**	**8,224**	**100.0**

Note:

(1) Others mainly include promotional expenses and hospitality expenses.

Administrative and Other Expenses

Our administrative and other expenses primarily include share-based payments, employee costs, depreciation and amortization, consulting fees and others. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, we recognized share-based payments of RMB28.6 million, RMB124.3 million, RMB141.4 million, RMB121.7 million and RMB111.4 million, respectively, accounting for 59.4%, 76.3%, 80.5%, 82.7% and 71.8% of total administrative and other expenses, respectively. The increase subsequent to 2023 was primarily due to the amortization of share-based compensation expenses for key management personnel. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our administrative and other expenses were RMB48.1 million, RMB162.7 million, RMB175.6 million, RMB147.1 million and RMB155.1 million, respectively, representing 10.9%, 14.2%, 18.0%, 18.2% and 29.0% of our revenue, respectively.

The following table sets forth a breakdown of administrative and other expenses, in absolute amounts and as a percentage of total administrative and other expenses, for the years and periods indicated.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Administrative and other expenses										
Share-based payments	28,575	59.4	124,253	76.3	141,400	80.6	121,651	82.7	111,437	71.8
Employee costs	10,756	22.3	15,562	9.6	16,730	9.5	11,893	8.1	11,424	7.4
Depreciation and amortization	1,892	3.9	3,683	2.3	4,301	2.4	3,202	2.2	6,678	4.3
Consulting fees	2,337	4.9	9,531	5.9	6,613	3.8	5,649	3.8	20,357	13.1
Others[(1)]	4,576	9.5	9,720	5.9	6,531	3.7	4,747	3.2	5,230	3.4
Total	**48,136**	**100.0**	**162,749**	**100.0**	**175,575**	**100.0**	**147,142**	**100.0**	**155,126**	**100.0**

Note:

(1) Others mainly consist of office expenses.

Research and Development Expenses

Our research and development expenses primarily included research material costs consist of substrates and gases, employee expenses, depreciation and amortization, share-based payments and others. In 2023, 2024 and for the nine months ended September 30, 2024 and 2025, we recognized share-based payments of RMB27.9 million, RMB7.7 million, RMB8.5 million and RMB6.7 million, respectively, accounting for 27.4%, 9.6%, 13.7% and 13.3% of total research and development expenses in same periods, primarily due to the amortization of share-based compensation expenses for key R&D personnel in 2023. In addition, share-based payment expenses were higher for the nine months ended September 30, 2024 than for the year ended December 31, 2024, as a partial reversal was recorded in the fourth quarter of 2024 following management's reassessment of certain sales targets under the incentive plan. In 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our research and development expenses were RMB43.8 million, RMB101.8 million, RMB80.0 million, RMB62.1 million and RMB50.4 million, respectively, representing 9.9%, 8.9%, 8.2%, 7.7% and 9.4% of our revenue, respectively.

The following table sets forth a breakdown of research and development expenses, in absolute amounts and as a percentage of total research and development expenses, for the years and periods indicated.

	Years Ended December 31,						Nine Months Ended September 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
R&D expenses										
Research material costs	27,438	62.7	39,039	38.0	33,600	42.0	26,348	42.4	17,748	35.2
Share-based payments	–	–	27,925	27.4	7,685	9.6	8,493	13.7	6,711	13.3
Employee expenses	7,903	18.0	14,188	13.9	15,795	19.8	10,880	17.5	11,442	22.7
Depreciation and amortization	5,829	13.3	14,191	13.9	15,627	19.5	11,254	18.1	9,856	19.6
Others[(1)]	2,659	6.1	6,443	6.3	7,285	9.1	5,121	8.2	4,617	9.2
Total	**43,829**	**100.0**	**101,786**	**100.0**	**79,992**	**100.0**	**62,096**	**100.0**	**50,374**	**100.0**

Note:

(1) Others mainly include testing expense from R&D activities.

Finance Costs

Finance costs primarily included interest on bank borrowings, interest on lease liabilities and others. Our finance costs were RMB4.5 million, RMB18.1 million, RMB28.9 million, RMB10.9 million and RMB5.5 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. The following table sets forth a breakdown of finance costs, for the years and periods indicated.

	Years Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Interest on bank borrowings	4,600	18,168	30,135	21,410	9,919
Interest on lease liabilities	9	18	2	2	1
Interests associated with the redemption liabilities	15,825	14,387	1,334	1,000	344
	20,434	32,573	31,471	22,412	10,264
Less: Finance costs capitalized	(153)	(38)	(1,274)	(817)	(628)
	20,281	**32,535**	**30,197**	**21,595**	**9,636**

Income Tax Credits/(Expenses)

We recorded income tax credits of RMB24.1 million in 2022, income tax expenses of RMB55.6 million, RMB43.1 million, RMB37.1 million and RMB23.1 million in 2023 and 2024 and for the nine months ended September 30, 2024 and 2025. In 2022, we achieved profitability and anticipated that future taxable income could be utilized to offset prior losses. As a result, deferred tax assets related to prior years' losses were recognized through an one-time adjustment, leading to negative income tax expenses for the year/period. The increase in income tax expenses in 2023 was primarily driven by a substantial growth in adjusted net profit (Non-IFRS measure). Conversely, the decrease in income tax expenses in 2024 and for the nine months ended September 30, 2025 was attributed to a decline in adjusted net profit (Non-IFRS measure).

Government Grants

During the Track Record Period, besides profits from operations, we had government grants of RMB13.5 million, RMB47.4 million, RMB111.9 million, RMB95.7 million and RMB103.0 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively, which were a major and increasing contributor to our profit for the year/period during the Track Record Period.

Profit for the Year/Period

We recorded profit of RMB127.5 million, RMB107.5 million, RMB165.1 million, RMB118.4 million and RMB21.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively.

TAXATION

PRC

According to the Enterprise Income Tax Law of the People's Republic of China ("EIT Law"), companies established in China are generally subject to an enterprise income tax rate of 25%, unless otherwise specified. Under the EIT Law, our subsidiary is subject to a tax rate of 25%. In accordance with the EIT Law and relevant regulations, enterprises that qualify as "High and New Technology Enterprises" are eligible for a preferential enterprise income tax rate of 15% along with other related tax benefits. We obtained the High and New Technology Enterprise Certificate in both 2020 and 2023, each valid for three years. Therefore, during the Track Record Period, it calculated and paid enterprise income tax at the preferential rate of 15% and enjoyed other related tax incentives. Preferential tax treatments and incentives granted to us by PRC regulatory authorities are subject to review and may be adjusted or revoked at any time in the future.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. In April 2009, the SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC resident enterprises or PRC resident enterprise groups, not those controlled by PRC resident individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC resident enterprise or a PRC resident enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource

matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, if the PRC tax authorities determine that any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then such subsidiary could be subject to PRC tax at a rate of 25% on our or the subsidiary's worldwide income. In addition, such subsidiary will also be subject to PRC enterprise income tax reporting obligations.

DISCUSSION OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2025 Compared with Nine Months Ended September 30, 2024

Revenue

Our revenue decreased from RMB808.3 million for the nine months ended September 30, 2024 to RMB535.1 million for the same period in 2025, primarily due to the decrease in our revenue from Turnkey service.

By type of service, revenue from Turnkey service decreased from RMB679.1 million for the nine months ended September 30, 2024 to RMB483.4 million for the same period in 2025, primarily due to our competitive pricing strategies, in response to the general downward pricing trend across the industry. As the decrease in raw material prices provided more spaces for us to adjust our prices downward while maintaining profitability, we proactively passed savings to our customers, thereby strengthening client loyalty and securing market share in a competitive environment. Our sales volume from Turnkey service increased from 92,006 pieces for the nine months ended September 30, 2024 to 137,763 pieces for the same period in 2025. The revenue generated from Consign service decreased from RMB118.1 million for the nine months ended September 30, 2024 to RMB23.2 million for the same period in 2025, primarily due to the decrease in our sales volume under Consign service as certain of our major customers experienced fluctuations in their business operations and reduced their procurement volume, combined with our competitive pricing strategy. Our sales volume from Consign service decreased from 41,017 pieces for the nine months ended September 30, 2024 to 11,539 pieces for the same period in 2025. As of the Latest Practicable Date, we have no plans to phase out our Consign service despite the decline in its revenue and sales volume. As the production process of epitaxial wafers under the two service types are mainly the same, we plan to continue to offer Turnkey and/or Consign services according to our customers' demand.

By region, revenue from Asia decreased from RMB544.0 million for the nine months ended September 30, 2024 to RMB456.0 million for the same period in 2025, primarily due to the increase in our sales volume. The revenue from Europe decreased from RMB235.0 million for the nine months ended September 30, 2024 to RMB64.2 million for the same period in 2025, primarily due to the decreased demand caused by lower production of some clients.

Cost of Sales

Our cost of sales decreased from RMB522.5 million for the nine months ended September 30, 2024 to RMB398.0 million for the same period in 2025, primarily due to the decrease in the costs of our raw materials of RMB113.1 million, reflecting the decreases in the price of our key raw materials and sales volume. Additionally, our labor cost decreased by RMB15.2 million, primarily due to the decrease in our personnel as we strengthened our automation capabilities. Decline in cost of sales was partially offset by the increase in depreciation of RMB3.0 million, primarily due to the completion of our certain construction projects, which started to record depreciation.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB148.6 million, or 52.0%, from RMB285.7 million for the nine months ended September 30, 2024 to RMB137.1 million for the same period in 2025. Our gross profit margin decreased from 35.3% for the nine months ended September 30, 2024 to 25.6% for the same period in 2025, primarily due to changes in offering mix, reflecting the decreased proportion of sales under our Consign service (which has higher margin) combined with the increased proportion of our other revenue, which was mainly generated from the sales of our stored inventories.

Other Income and Other Gains, Net

Our other income and other gains, net, significantly increased from RMB107.6 million for the nine months ended September 30, 2024 to RMB132.6 million for the same period in 2025, primarily due to the increase of (i) government grants of RMB7.3 million based on incentive policies to support our business growth and R&D activities; and (ii) bank interest income of RMB22.5 million as a result of our increased bank deposits from our financing activities and operational cash inflow. Our increases in other income and other gains were partially offset by the increase of foreign exchange loss of RMB2.6 million due to the decrease in the USD/RMB exchange rate.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB1.4 million, or 21.5%, from RMB6.8 million for the nine months ended September 30, 2024 to RMB8.2 million for the same period in 2025, primarily attributable to the increase in sample costs as a result of our active marketing and business development activities, as well as the increase in employee expenses due to the increased selling and distribution personnel.

Administrative and Other Expenses

Our administrative and other expenses increased by RMB8.0 million, or 5.4%, from RMB147.1 million for the nine months ended September 30, 2024 to RMB155.1 million for the same period in 2025, primarily due to the [**REDACTED**] expenses we incurred in early 2025, partially offset by the decrease in our share-based payments as a result of the write-off of share-based payments in accordance with conditions of our share-based compensation plan.

Research and Development Expenses

Our research and development expenses decreased by RMB11.7 million, or 18.9%, from RMB62.1 million for the nine months ended September 30, 2024 to RMB50.4 million for the same period in 2025, primarily due to the decrease in material costs resulted from price reduction of materials we use.

(Impairment Loss)/Reversal of Impairment Loss on Financial Assets, Net

Our net impairment loss on financial assets significantly increased by RMB1.9 million from RMB0.2 million for the nine months ended September 30, 2024 to RMB2.1 million for the nine months ended September 30, 2025, primarily due to the increase in impairment loss on trade and bills receivables as a result of a higher balance of our trade and bills receivables as of September 30, 2025.

Finance Costs

Our finance costs decreased by RMB12.0 million, or 55.4%, from RMB21.6 million for the nine months ended September 30, 2024 to RMB9.6 million for the same period in 2025, primarily due to our repayment of borrowings from our equity financing activities and operational cash inflow.

Income Tax Expense

Our income tax expense decreased from RMB37.1 million for the nine months ended September 30, 2024 to RMB23.1 million for the nine months ended September 30, 2025, primarily due to the decrease in our adjusted net profit (Non-IFRS measure) for the same periods.

Profit for the Period

As a result of the foregoing, the recorded profit of the period decreased from RMB118.4 million for the nine months ended September 30, 2024 to RMB21.1 million for the same period in 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue decreased by RMB168.2 million, or 14.7%, from RMB1,142.5 million in 2023 to RMB974.3 million in 2024, primarily due to the revenue from our Consign service decreased.

By type of service, revenue from Turnkey service slightly decreased from RMB847.7 million in 2023 to RMB839.6 million in 2024, primarily due to we offered competitive price as the price of key raw materials, including substrates, decreased, and the impact on our revenue due to such decreases in selling price was partially offset by our increased sales volume from Turnkey service, which increased from 96,428 pieces in 2023 to 122,283 pieces in 2024. The revenue generated from Consign service decreased from RMB292.8 million in 2023 to RMB121.1 million in 2024, primarily due to the decrease in our sales volume under Consign model and our competitive pricing strategy. The sales volume under Consign service decreased from 104,175 wafers in 2023 to 42,150 wafers in 2024, primarily due to reduced demand from certain customers under the Consign service, primarily due to a large inventory backlog carried over from the previous year.

By region, revenue from Asia decreased from RMB745.2 million in 2023 to RMB672.4 million in 2024, primarily due to lowered sales price, which was partially offset by increased sale volume from Turnkey service. The revenue from Europe decreased from RMB323.3 million in 2023 to RMB268.9 million in 2024, primarily due to decreased sales volume in 2024.

Cost of Sales

Our cost of sales decreased by RMB55.1 million, or 7.9%, from RMB697.1 million in 2023 to RMB642 million in 2024, primarily due to the share-based payment for our employees categorized as the cost of sales decreased by RMB54.3 million, from RMB57.8 million in 2023 to RMB3.5 million in 2024. Additionally, the decrease in substrate prices led to a reduction in raw material costs, while an increase in depreciation expenses contributed to higher costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB113.1 million, or 25.4%, from RMB445.4 million in 2023 to RMB332.3 million in 2024. Our gross profit margin decreased from 39.0% in 2023 to 34.1% in 2024, primarily due to the increased proportion of sales under our

Turnkey service, which had a lower gross margin compared to the Consign service. This was because substrate costs were included in the Turnkey service, and substrate costs accounted for a relatively higher proportion of total costs, resulting in a lower gross margin for this type of service.

Other Income and Other Gains, Net

Our other income and other gains, net, significantly increased from RMB63.5 million in 2023 to RMB168.4 million in 2024, primarily due to the increase of (i) government grants of RMB64.5 million based on incentive policies to support our business and R&D activities; (ii) bank interest income of RMB27.8 million resulted from the increase of our short-term deposits with preferred interest rates; and (iii) net exchange gain of RMB16.0 million resulted from exchange rate fluctuations.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by RMB43.3 million, or 88.7%, from RMB48.8 million in 2023 to RMB5.5 million in 2024, primarily due to the decrease in share-based payments for our employees, and increased employee costs associated with marketing activities.

Administrative and Other Expenses

Our administrative and other expenses increased by RMB12.9 million, or 7.9%, from RMB162.7 million in 2023 to RMB175.6 million in 2024, primarily due to the increase in share-based payments for our employees, partially offset by decreased consulting fees.

Research and Development Expenses

Our research and development expenses decreased by RMB21.8 million, or 21.4%, from RMB101.8 million in 2023 to RMB80 million in 2024, primarily due to the decrease in share-based payments for our employees, and decreased research material costs.

(Impairment Loss)/Reversal of Impairment Loss on Financial Assets, Net

We record impairment loss on financial assets, net, of RMB1.3 million in 2024, compared to reversal of impairment loss on financial assets, net, of RMB0.1 million in 2023, primarily due to the reversal of the provision for impairment of receivables and bills receivable of RMB0.1 million in 2023 and the provision for receivables and bills receivable of RMB1.2 million in 2024.

Finance Costs

Our finance costs decreased by RMB2.3 million, or 7.2%, from RMB32.5 million in 2023 to RMB30.2 million in 2024, primarily due to the decrease of our interests associated with the redemption liabilities as the termination of redemption rights.

Income Tax Expense

We record income tax expense of RMB43.1 million in 2024, compared to income tax expense of RMB55.6 million in 2023, primarily due to the decreased in adjusted net profit (Non-IFRS measure) for the year.

Profit for the Year

As a result of the foregoing, the recorded profit of the year increased by RMB57.6 million, or 53.5%, from RMB107.5 million in 2023 to RMB165.1 million in 2024.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue increased by RMB701.8 million, or 159.3%, from RMB440.7 million in 2022 to RMB1,142.5 million in 2023, primarily driven by the growing demand for SiC power devices, fueled by the global rise in EV, ultrafast charging facilities, and other downstream applications. Additionally, the realization of our expanded production capacity contributed to an increase in our sales volume.

Our revenue from Turnkey service increased from RMB277.8 million in 2022 to RMB847.7 million in 2023, primarily due to an increase in sales volume for Turnkey service from 31,339 wafers in 2022 to 96,428 wafers in 2023. The revenue generated from sales from Consign service increased from RMB156.6 million in 2022 to RMB292.8 million in 2023, primarily due to an increase in sales volume for Consign service from 54,027 wafers in 2022 to 104,175 wafers in 2023.

Our revenue from Asia increased from RMB275.5 million in 2022 to RMB745.2 million in 2023, and revenue from Europe increased from RMB149.3 million in 2022 to RMB323.3 million in 2023, primarily driven by the growth of SiC power device demands across the regions.

Cost of Sales

Our cost of sales significantly increased from RMB243.8 million in 2022 to RMB697.1 million in 2023, primarily due to (i) the share-based payments we made to our employees in 2023; and (ii) the increase in our costs of raw materials, which was driven by the growth of our sales volume due to higher customer demand, which is partially offset by decrease in the price of our raw materials. Due to diversification of raw material sources, the expansion of supplier production capacity, and improvements in production yield, the prices of our raw materials, such as substrates and graphite components have decreased in 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB248.5 million from RMB196.9 million in 2022 to RMB445.4 million in 2023. Our gross profit margin decreased from 44.7% in 2022 to 39.0% in 2023, primarily due to the increase in share-based payments for our employees in 2023.

Other Income and Other Gains, Net

Our other income and other gains, net, significantly increased by RMB42.0 million from RMB21.5 million in 2022 to RMB63.5 million in 2023, primarily due to increase of (i) government grants of RMB33.8 million based on incentive policies for business and R&D activities; and (ii) bank interest income of RMB8.6 million resulted from increases of our short-term deposits and applicable interest rates.

Selling and Distribution Expenses

Our selling and distribution expenses significantly increased by RMB46.9 million from RMB1.9 million in 2022 to RMB48.8 million in 2023, primarily attributable to the increase in share-based payments for employees, and increased employee costs driven by rapid business expansion and sales growth.

Administrative and Other Expenses

Our administrative and other expenses significantly increased by RMB114.7 million from RMB48.1 million in 2022 to RMB162.8 million in 2023, primarily attributable to the increase in share-based payments for employees, and increased employee costs associated with business expansion.

Research and Development Expenses

Our research and development expenses significantly increased by RMB58.0 million from RMB43.8 million in 2022 to RMB101.8 million in 2023, primarily due to the increase in the share-based payments for employees, and increased research material costs reflecting our additional efforts in R&D.

(Impairment Loss)/Reversal of Impairment Loss on Financial Assets, Net

We record reversal of impairment loss on financial assets, net, of RMB0.1 million in 2023, compared to impairment loss on financial assets, net, of RMB0.9 million in 2022, primarily due to our impairment loss on trade and bills receivables of RMB0.9 million in 2022 turned into reversal of impairment loss on trade and bills receivables of RMB0.1 million in 2023.

Finance Costs

Our finance costs increased from RMB20.3 million in 2022 to RMB32.5 million in 2023, primarily due to the increase of interest on bank borrowings of RMB13.6 million resulted from larger bank borrowing base.

Income Tax Credits/(Expenses)

We record income tax expenses of RMB55.6 million in 2023, compared to income tax credits of RMB24.1 million in 2022, primarily due to deferred tax expenses caused by share-based payments and the increased adjusted net profit (Non-IFRS measure).

Profit for the Year

As a result of the foregoing, the recorded profit of the year decreased by RMB20.0 million, or 15.7%, from RMB127.5 million in 2022 to RMB107.5 million in 2023.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED BALANCE SHEETS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant's Report included in Appendix I to this Document:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Non-current assets	956,390	2,043,223	2,054,279	1,958,168
Current assets	497,208	1,030,375	2,448,665	2,408,456
Total assets	**1,453,598**	**3,073,598**	**4,502,944**	**4,366,624**
Non-current liabilities	271,013	1,048,943	1,084,318	1,020,199
Current liabilities	599,083	560,488	605,142	368,961
Total liabilities	**870,096**	**1,609,431**	**1,689,460**	**1,389,160**
Net assets	**583,502**	**1,464,167**	**2,813,484**	**2,977,464**

For accounting treatment and details of [**REDACTED**] investments, see Note 32 to the Accountants' Report.

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2022	2023	2024	2025	2026
	(RMB in thousands)				
Inventories	91,404	351,086	247,640	270,945	306,378
Trade and bills receivables	106,796	78,666	129,645	268,964	383,550
Prepayments, deposits and other receivables	15,527	7,992	7,468	21,169	40,456
Value-added tax (VAT) recoverable	8,564	22,488	33,259	14,591	1,918
Term deposits	500	20,622	–	–	608,920
Cash and cash equivalents	274,417	549,521	2,030,653	1,832,787	1,211,486
Total current assets	**497,208**	**1,030,375**	**2,448,665**	**2,408,456**	**2,552,709**
Trade and bills payables	54,863	32,912	71,883	154,964	120,138
Other payables and accruals	182,077	191,731	145,089	109,489	141,954
Contract liabilities	5,757	3,730	6,795	736	378
Derivative financial instruments	–	–	–	2,140	3,303
Lease liabilities	344	261	67	66	67
Borrowings	142,405	315,181	303,536	65,025	163,486
Redemption liabilities	213,637	16,673	18,007	–	–
Income tax payable	–	–	59,765	36,541	36,571
Total current liabilities	**599,083**	**560,488**	**605,142**	**368,961**	**465,896**
Net current (liabilities)/assets	**(101,875)**	**469,887**	**1,843,523**	**2,039,495**	**2,086,813**

Our net current assets increased from RMB2,039.5 million as of September 30, 2025 to RMB2,086.8 million as of January 31, 2026, primarily due to (i) an increase of trade and bills receivables of RMB114.6 million, (ii) an increase in inventories of RMB35.4 million, and (iii) a decrease in trade and bills payables of RMB34.8 million; partially offset by (i) an increase in current borrowings of RMB98.5 million, and (ii) an increase of other payables and accruals of RMB32.5 million.

Our net current assets increased from RMB1,843.5 million as of December 31, 2024 to RMB2,039.5 million as of September 30, 2025, primarily due to (i) a decrease of borrowings of RMB238.5 million, (ii) an increase of trade and bills receivables of RMB139.3 million, (iii) a decrease of other payables and accruals of RMB35.6 million, (iv) an increase of inventories of RMB23.3 million, and (v) a decrease of income tax payable of RMB23.2 million; partially offset by (i) a decrease of cash and cash equivalents of RMB197.9 million, and (ii) an increase of trade and bills payables of RMB83.1 million.

Our net current assets increased from RMB469.9 million as of December 31, 2023 to RMB1,843.5 million as of December 31, 2024, primarily due to (i) an increase of cash and cash equivalents of RMB1,481.2 million in relation to share issuance of RMB1,030.0 million from certain shareholders, (ii) an increase of trade and bills receivables of RMB51.0 million, (iii) a decrease of borrowings of RMB11.6 million, and (iv) an increase of VAT recoverable of RMB10.8 million, partially offset by (i) a decrease of inventories of RMB103.4 million, (ii) an increase of tax payable of RMB59.8 million, and (iii) a decrease of time deposits of RMB20.6 million.

Our net current liabilities of RMB101.9 million as of December 31, 2022 changed into net current assets of RMB469.9 million as of December 31, 2023, primarily due to (i) a decrease of redemption liabilities of RMB197.0 million, (ii) an increase of cash and cash equivalents of RMB275.1 million, and (iii) an increase of inventories of RMB259.7 million, partially offset by (i) an increase of borrowings of RMB172.8 million, (ii) a decrease of trade and bills payables of RMB22.0 million, and (iii) a decrease of trade and bills receivables of RMB28.1 million.

Assets

Property, Plant and Equipment

Our property, plant and equipment primarily consist of machinery, buildings, leasehold land, computer equipment, furniture, fixtures and office equipment, motor vehicle and construction-in-progress. The following table sets forth the breakdown of our property, plant and equipment in net value as of the dates indicated.

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Property, plant and equipment				
Machinery	397,314	1,082,265	1,143,075	1,340,422
Buildings	139,267	308,772	290,226	427,275
Leasehold land	37,641	36,853	36,065	35,474
Computer equipment	4,040	6,003	5,614	5,818
Furniture, fixtures and office equipment	5,864	11,761	9,865	8,008
Motor vehicles	–	302	235	185
Construction-in-progress	289,692	591,275	562,486	125,828
Total	**873,818**	**2,037,231**	**2,047,566**	**1,943,010**

Our property, plant and equipment increased from RMB873.8 million as of December 31, 2022 to RMB2,037.2 million as of December 31, 2023, primarily due to the expansion of our production capacity, in resulting of (i) the increase of our machinery of RMB685.0 million, (ii) the increase of our constructions-in-progress of RMB301.6 million, and (iii) the increase of our buildings of RMB169.5 million. Our property, plant and equipment further increased to RMB2,047.6 million as of December 31, 2024, primarily due to the increase of our machinery of RMB60.8 million and was partially offset by the decrease of our constructions-in-progress of RMB28.8 million. Our property, plant and equipment subsequently decreased to RMB1,943.0 million as of September 30, 2025, primarily due to the decrease of our constructions-in-progress resulted from the completion of our certain construction projects and turned into buildings and machinery, partially offset by the corresponding increase in depreciation.

Inventories

Our inventories comprise of raw materials, finished goods and work in progress. Our raw materials mainly include substrates and other accessory materials, graphite components and gases. The following table sets forth the carrying amount of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Inventories				
Raw materials	61,601	258,868	196,416	202,902
Finished goods	23,932	96,517	46,255	61,342
Work in progress	6,449	831	11,169	15,261
Write-down of inventories to net realizable value	(578)	(5,130)	(6,200)	(8,560)
Total	**91,404**	**351,086**	**247,640**	**270,945**

Our inventories increased from RMB91.4 million as of December 31, 2022 to RMB351.1 million as of December 31, 2023, primarily due to the increase of raw materials of RMB197.3 million reflecting our strategic stock of raw materials as of December 31, 2023 to prepare ourselves for sales growth, and the increase of finished goods of RMB72.6 million. Our inventories decreased from RMB351.1 million as of December 31, 2023 to RMB247.6 million as of December 31, 2024, primarily due to the decrease of raw materials of RMB62.5 million and the decrease of finished goods of RMB50.3 million. Our inventories increased from RMB247.6 million as of December 31, 2024 to RMB270.9 million as of September 30, 2025, primarily due to the increase of finished goods of RMB15.1 million.

The following table sets forth the aging analysis of our inventory after deduction of provision as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Inventories				
Within 1 year	84,821	333,023	103,453	175,529
1-2 years	5,164	14,386	134,649	44,454
2-3 years	265	2,634	8,240	46,102
Over 3 years	1,154	1,043	1,298	4,860
Total	**91,404**	**351,086**	**247,640**	**270,945**

Our raw materials include substrates and equipment accessories. Among them, equipment accessories are primarily used for non-routine consumption, being utilized only for maintenance and replacement when equipment so required. As a result, these items may have a longer aging period and are not subject to warranty or usage period limitations. The following table sets forth the aging analysis of our raw materials in gross value as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Raw materials				
Within 1 year	57,517	243,015	55,436	113,403
1-2 years	3,508	13,677	132,468	40,173
2-3 years	11	2,087	7,830	45,499
Over 3 years	565	89	682	3,828
Total	**61,601**	**258,868**	**196,416**	**202,902**

The following table sets forth the aging analysis of our finished goods in gross value as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Finished goods				
Within 1 year	20,887	93,149	40,708	51,947
4-inch	–	92	470	683
6-inch	20,887	92,874	37,460	46,189
8-inch	–	185	2,778	5,075
1-2 years	1,679	1,699	2,809	6,050
4-inch	560	10	69	395
6-inch	1,120	1,688	2,741	5,048
8-inch	–	–	–	607
2-3 years	267	579	1,594	1,340
4-inch	267	493	–	78
6-inch	–	86	1,594	1,262
Over 3 years	1,099	1,090	1,144	2,005
4-inch	1,099	1,090	1,108	604
6-inch	–	–	35	1,401
Total	**23,932**	**96,517**	**46,255**	**61,342**

During the Track Record Period, the relatively low proportion of inventory over one to two years in 2022 and 2023 was mainly due to the increased sales volume from both of our Turnkey and Consign services in 2022 and 2023. In 2024, the inventory aged over one to two years increased significantly, primarily due to we purchased a batch of 6-inch substrates to prepare ourselves for rapid demand growth. For the nine months ended September 30, 2025, the inventory aged over one years to two years significantly decreased, primarily due to our disposal of previously stored raw materials to maintain a healthy inventory level.

As of September 30, 2025, the inventories that aged over three years amounted to RMB4.9 million, representing 1.8% of total inventories, which is insignificant.

We believe we have a comprehensive and adequate system in place for identifying and accounting for inventory risks and impairment provisions. We regularly review our inventories to identify items with low sales or usage value and make impairment provisions accordingly. We further assess inventories based on the lower of cost or net realizable value to make any additional impairment provisions.

We plan to further enhance the refined management of inventory to mitigate the downward price pressure, including raw materials and finished goods. We plan to designate specialized personnel to closely monitor the level of inventory and make order-oriented procurement plan accordingly to avoid excessive storage and enhance the utilization efficiency. We also plan to enhance the management of supply chain to ensure timely and qualified raw material supply. We comprehensively considers various factors, including, among others, the complexity and structure of the products, the purchase volume and the raw material used, to determine the prices so as to balance profitability and competitiveness.

Specifically, we manage inventory through a dual focus on raw materials and finished goods. In raw material management: (i) inventory levels serve as a key procurement benchmark, maintaining sufficient stock while collaborating with qualified suppliers to ensure supply reliability; (ii) the production management control team analyze and set production schedules based on sales orders, considering material requirements, supplier lead times, and current inventory to formulate precise purchasing plans approved by production departments; (iii) make strategical reserves for critical materials to mitigate supply risks through combined annual contracts and spot orders, enabling flexible resource allocation. With respect to finished goods management, we have: (i) a "production-to-order" model, which aligns manufacturing and procurement with customer demand; (ii) a sophisticated warehousing system implements strict zoning for quality-controlled storage segregation, supported by real-time digital tracking; (iii) dedicated inventory monitoring system, which includes age-based classification and differentiated disposition strategies to maintain industry-appropriate turnover rates; and (iv) cross-functional teams to accelerate substandard product resolution through technical improvements, discounted sales, and rework processes, with specialized tracking mechanisms.

We provided provision against inventories by estimating the net realizable value based on the estimated selling price of such inventories in the ordinary course of business. The work in progress are primarily associated with products that have relatively lengthy production processes and cycles, indicating a potential for conversion. Among raw materials, spare parts are mainly used for the maintenance and upgrading of production equipment and are deemed durable consumables and also exhibit a longer conversion period and conversion potential. There are no recoverability issues for inventories aged over one year and we have made sufficient provision taking into account of our inventory utilization.

The following table sets forth the turnover days of our inventory for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Inventory turnover days[(1)]	106.7	115.8	170.2	178.4

Note:

(1) Inventory turnover days for a year/period equals the average of the gross value of the opening and closing inventories balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant year/period (i.e. 365 days for a fiscal year and 273 days for nine months ended September 30).

Our turnover days increased from 106.7 days in 2022 to 115.8 days in 2023, and further to 170.2 days in 2024, primarily due to our strategic decision to stockpile raw materials at late 2023 in anticipation of future sales volume and customer demand, and the technical calculation of inventory turnover days was affected largely by the opening inventories balance. Our inventories dropped substantially towards the year end of 2024. Our turnover days slightly increased from 170.2 days in 2024 to 178.4 days for the nine months ended September 30, 2025, primarily because our cost of sales for the nine months ended September 30, 2025 experienced a relatively significant decline as compared to 2024, in line with the fluctuations in our revenue, and an increase in the closing balance of our inventories as of September 30, 2025, leading to higher turnover days.

As of January 31, 2026, RMB85.5 million, or approximately 30.6%, of our inventory balance as of September 30, 2025, had been sold or utilized.

Trade and Bills Receivables

Trade and bills receivables are amounts due for goods sold in the ordinary course of business. For instance, we granted credit terms to certain customers during the Track Record Period. Such credit terms typically range from 30 days to 90 days. We seek to maintain strict control over our outstanding receivables. Our finance department is responsible for minimizing credit risks. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risks.

Our trade and bills receivables decreased from RMB106.8 million as of December 31, 2022 to RMB78.7 million as of December 31, 2023, due to adjusted production plan and our enhanced collection efforts during the year-end period of 2023. Our trade and bills receivables increased from RMB78.7 million as of December 31, 2023 to RMB129.6 million as of December 31, 2024, primarily due to the increase of our sale orders in fourth quarter of 2024 compared to the same period in 2023. Our trade and bills receivables increased from RMB129.6 million as of December 31, 2024 to RMB269.0 million as of September 30, 2025, primarily because our revenue in the third quarter of 2025 was higher than the fourth quarter of 2024, which accounted for the majority balance of trade and bills receivables for the respective reporting dates. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Trade and bills receivables				
Trade receivables	106,342	76,868	130,135	273,206
Bills receivable	1,801	3,000	1,905	257
Less: impairment loss allowance	(1,347)	(1,202)	(2,395)	(4,499)
Total	**106,796**	**78,666**	**129,645**	**268,964**

The credit period granted to our customers was generally 30 days to 90 days from the date of billing. Sales that occurred before year end (December 31 of such year) and were still within such 30 to 90 day credit period on year end (December 31 of such year) will technically be recorded as receivables on December 31 of such year. The increased balance for trade and bill receivables of over three months subsequent to 2023 was primarily due to we had increased unpaid sales being recorded as trade and bill receivables due to certain customer applied for longer settlement arrangement. The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Trade and bills receivables				
Within 3 months	104,654	77,461	123,752	249,558
3 months to 6 months	949	634	1,151	17,327
6 months to 1 year	–	17	4,635	2,079
1-2 years	1,193	148	14	–
2-3 years	–	406	93	–
Over 3 years	–	–	–	–
Total	**106,796**	**78,666**	**129,645**	**268,964**

The following table sets forth the turnover days of our trade and bills receivables for the years/periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Trade and bills receivable turnover days[(1)]	61.2	29.6	39.0	102.0

Note:

(1) Trade receivable turnover days for a year/period equals the average of the gross value of the opening and closing trade and other receivable balance divided by revenue for the relevant period and multiplied by the number of days in the relevant year/period (i.e. 365 days for a fiscal year and 273 days for nine months ended September 30).

In 2022, 2023 and 2024 and for the nine months ended September 30, 2025, our trade and bills receivable turnover days were 61.2 days, 29.6 days, 39.0 days and 102.0 days, respectively. The increase in trade and bills receivable turnover days for the nine months ended September 30, 2025. This was primarily because our sales increased during the third quarter, and the settlement process for these recent orders were not yet completed as of September 30, 2025, leading to a high closing balance and a consequent increase in turnover days.

As of January 31, 2026, RMB140.7 million, or approximately 51.5% of our trade receivables as of September 30, 2025 had been settled. As of January 31, 2026, RMB0.3 million, or approximately 100.0% of our bills receivables as of September 30, 2025 had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables comprise of (i) prepayments, (ii) deposits and other receivables and (iii) consulting fees and offset by reversal of (impairment loss) allowance. The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the years/periods indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Prepayments, deposits and other receivables				
Prepayments	14,374	6,287	5,238	4,075
Deposits and other receivables	1,214	1,131	2,347	10,961
Prepaid [**REDACTED**] expenses and deferred issue costs	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Less: Reversal of (impairment loss) allowance	(61)	(57)	(117)	(129)
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Our prepayments, deposits and other receivables decreased from RMB15.5 million as of December 31, 2022 to RMB8.0 million as of December 31, 2023, and further to RMB7.5 million as of December 31, 2024, primarily due to decrease in prepayment based on our adjusted raw material procurement methods from overseas suppliers. Our prepayments, deposits and other receivables increased significantly from RMB7.5 million as of December 31, 2024 to RMB21.2 million as of September 30, 2025, primarily due to the increase in our deposits and other receivables mainly attributable to the increase of interest on quarterly settled deposits and receivable subsidies.

As of January 31, 2026, RMB2.8 million, or approximately 68.3% of our prepayments as of September 30, 2025 had been settled. As of January 31, 2026, RMB5.6 million, or approximately 51.7% of our deposits and other receivables as of September 30, 2025 had been settled.

Value-added Tax (VAT) Recoverable

Our value-added tax recoverable primarily representing deductible VAT amount. Our value-added tax recoverable amounted to RMB8.6 million as of December 31, 2022, RMB22.5 million as of December 31, 2023, RMB33.3 million as of December 31, 2024 and RMB14.6 million as of September 30, 2025. As of January 31, 2026, RMB14.0 million, or approximately 100.0% of our value-added tax recoverable as of September 30, 2025 our had been settled.

Liabilities

Trade and Bills Payables

Our trade and bills payables are short-term in nature and hence, the carrying amount of trade and bills payables are considered to approximate to their fair value. We typically have 30 to 90 days credit term from our suppliers. Our trade and bills payables increased from RMB32.9 million in 2023 to RMB71.9 million in 2024, due to our purchase of a batch of 6-inch substrates to prepare ourselves for demand growth. Our trade and bills payables further increased to RMB155.0 million as of September 30, 2025, primarily due to our purchase of domestic substrates in accordance to our customers' demand.

The following table sets forth our trade and bills payables as of the years/periods indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Trade and bills payables				
Trade payables	47,962	32,912	46,781	147,859
Bills payables	6,901	–	25,102	7,105
Total	**54,863**	**32,912**	**71,883**	**154,964**

The following table sets forth an aging analysis of our trade and bills payables as of the years/periods indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Trade and bills payables				
Within 1 year	54,626	32,670	71,538	154,072
1-2 years	–	5	104	548
Over 2 years	237	237	241	344
Total	**54,863**	**32,912**	**71,883**	**154,964**

The following table sets forth the turnover days of our trade and bill payables for the years/periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,
	2022	2023	2024	2025
Trade and bills payables turnover days[(1)]	47.7	23.0	29.8	78.0

Note:

(1) Trade and bill payable turnover days for a period equals the average of the gross value of the opening and closing trade and bill payable balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year and 273 days for nine months ended September 30).

In 2022, 2023 and 2024 and for the nine months ended September 30, 2025, our trade and bills payables turnover days were 47.7 days, 23.0 days, 29.8 days and 78.0 days, respectively. The increase of our turnover days for the nine months ended September 30, 2025 was primarily due to the longer credit terms granted by our suppliers.

As of January 31, 2026, RMB143.1 million, or approximately 96.8% of our trade payables as of September 30, 2025 had been settled. As of January 31, 2026, RMB7.1 million, or approximately 100.0% of our bills payables as of September 30, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily represent (i) amount due to shareholders arose from certain shareholders making investments in the Company, with the capital increase being completed and officially registered in the following year, (ii) construction payables, (iii) other payables, (iv) other tax payables and (v) accruals, primarily representing the accrued employee compensation. As of December 31, 2022, 2023 and 2024 and September 30, 2025, all other payables and accruals were non-interest bearing, unsecured and repayable on demand. The following table sets forth our other payables and accruals as of the years/periods indicated:

	As of December 31,			As of September 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Other payables and accruals				
Amount due to shareholders	100,000	–	–	–
Construction payables	72,676	177,155	130,159	92,137
Accruals	7,343	11,264	11,415	6,561
Other tax payables	1,289	2,177	2,458	7,759
Other payables	769	1,135	1,057	3,032
Total	**182,077**	**191,731**	**145,089**	**109,489**

Our other payables and accruals increased from RMB182.1 million as of December 31, 2022 to RMB191.7 million as of December 31, 2023, primarily due to an increase in construction payables of RMB104.5 million in relation to our production site expansions and partially offset by a decrease in amount due to our certain shareholders of RMB100.0 million. Our other payables and accruals decreased from RMB191.7 million as of December 31, 2023 to RMB145.1 million as of December 31, 2024 and further to RMB109.5 million as of September 30, 2025, primarily due to the decrease in construction payables, which was in line with our expansion progress.

As of January 31, 2026, RMB47.6 million, or approximately 43.5% of our other payables and accruals as of September 30, 2025 had been settled.

Contract Liabilities

Our contract liabilities primarily represent the advance consideration received from our customers. Our contract liabilities amounted to RMB5.8 million as of December 31, 2022, RMB3.7 million as of December 31, 2023, RMB6.8 million as of December 31, 2024 and RMB0.7 million as of September 30, 2025. As of January 31, 2026, RMB0.7 million, or approximately 100.0% of contract liabilities outstanding as of September 30, 2025 had been subsequently settled.

Derivative Financial Instruments

Our derivative financial instruments represent the fair values of our forward foreign exchange contracts within one year. We recorded nil, nil, nil and RMB2.1 million as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively.

Redemption Liabilities

We recorded redemption liabilities of RMB213.6 million, RMB16.7 million, RMB18.0 million and nil as of December 31, 2022, 2023 and 2024 and September 30, 2025, respectively, in relation to the redemption rights of our certain [**REDACTED**] investors. As of September 30, 2025, all of our redemption rights had been terminated. For details, see Note 31 of the Accountants' Report in Appendix I to this Document.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents our consolidated cash flow data for the years/periods indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)			*(unaudited)*	
Net cash generated from operating activities	169,985	415,175	640,638	470,931	176,241
Net cash used in investing activities	(505,270)	(1,140,458)	(144,332)	(144,539)	(21,462)
Net cash generated from/(used in) financing activities	459,072	1,000,387	984,826	289,564	(352,645)
Net increase/(decrease) in cash and cash equivalents	**123,787**	**275,104**	**1,481,132**	**615,956**	**(197,866)**
Cash and cash equivalents at beginning of the year	150,630	274,417	549,521	549,521	2,030,653
Cash and cash equivalents at end of the year/period	**274,417**	**549,521**	**2,030,653**	**1,165,477**	**1,832,787**

During the Track Record Period and as of the Latest Practicable Date, our principal sources of liquidity have been cash generated from operating activities and borrowings from banks.

Net Cash Generated from Operating Activities

For the nine months ended September 30, 2025, our net cash generated from operating activities was RMB176.2 million, which was primarily attributable to our profit before tax of RMB44.2 million, adjusted by non-cash items, primarily including (i) depreciation of property, plant and equipment of RMB129.0 million, and (ii) equity-settled share-based payments of RMB124.5 million; partially offset by interest income of RMB48.9 million. This amount was further adjusted by changes in working capital, primarily including (i) an increase in trade and bills payables of RMB83.1 million, and (ii) an increase in deferred revenue of RMB51.3 million; partially offset by (i) an increase in trade and bills receivables of RMB141.4 million, and (ii) an increase in inventories of RMB25.7 million.

In 2024, our net cash generated from operating activities was RMB640.6 million, which was primarily attributable to our profit before tax of RMB208.2 million, adjusted by non-cash items, primarily including (i) equity-settled share-based payments of RMB154.2 million, (ii) depreciation of property, plant and equipment of RMB144.7 million, and (iii) finance costs of RMB30.2 million, partially offset by interest income of RMB40.0 million. This amount was further adjusted by changes in working capital, primarily including (i) a decrease in inventories of RMB102.4 million, (ii) an increase in deferred income of RMB55.2 million, and (iii) a decrease in prepayments, deposits and other receivables of RMB50.0 million; partially offset by (i) an increase in trade and bill receivables of RMB52.2 million, and (ii) a decrease in other payables and accruals of RMB46.6 million.

In 2023, our net cash generated from operating activities was RMB415.2 million, which was primarily attributable to our profit before tax of RMB163.2 million, adjusted by non-cash items, primarily including (i) equity-settled share-based payments of RMB256.2 million, (ii) depreciation of property, plant and equipment of RMB95.9 million, (iii) finance costs of RMB32.5 million; partially offset by interest income of RMB12.1 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in inventories of RMB264.2 million, (ii) an increase in other payables and accruals of RMB109.7 and (iii) an increase in deferred income of RMB105.3 million.

In 2022, our net cash generated from operating activities was RMB170.0 million, which was primarily attributable to our profit before tax of RMB103.5 million, adjusted by non-cash items, primarily including (i) depreciation of property, plant and equipment of RMB30.6 million, and (ii) equity-settled share-based payments of RMB28.6 million, partially offset by interest income of RMB3.5 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in trade and bills receivables of RMB66.7 million, (ii) an increase in prepayments, deposits and other receivables of RMB43.1 million, and (iii) an increase in inventories of RMB40.2 million.

Net Cash Used in Investing Activities

For the nine months ended September 30, 2025, our net cash used in investing activities was RMB21.5 million, primarily attributable to purchase of property, plant and equipment of RMB69.8 million; partially offset by interest received of RMB48.9 million.

In 2024, our net cash used in investing activities was RMB144.3 million, primarily attributable to purchase of property, plant and equipment of RMB204.7 million; partially offset by (i) interest received of RMB40.0 million; and (ii) withdrawal of term deposits of RMB20.6 million.

In 2023, our net cash used in investing activities was RMB1,140.5 million, primarily attributable to purchase of property, plant and equipment of RMB1,157.4 million, partially offset by (i) interest received of RMB12.1 million; and (ii) proceeds from disposal of property, plant and equipment of RMB6.0 million.

In 2022, our net cash used in investing activities was RMB505.3 million, primarily attributable to purchase of property, plant and equipment of RMB533.7 million, partially offset by withdrawal of term deposits of RMB24.6 million.

Net Cash Generated from/(Used in) Financing Activities

For the nine months ended September 30, 2025, our net cash used in financing activities was RMB352.6 million, primarily attributable to (i) repayments of bank borrowings of RMB403.3 million, and (ii) interest paid of RMB9.9 million; partially offset by proceeds from bank borrowings of RMB60.7 million.

In 2024, our net cash generated from financing activities was RMB984.8 million, primarily attributable to (i) proceeds from share issues of RMB1,030.0 million, and (ii) proceeds from bank borrowings of RMB744.8 million and partially offset by (i) repayments of bank borrowings of RMB759.7 million, and (ii) interest paid of RMB30.1 million.

In 2023, our net cash generated from financing activities was RMB1,000.4 million, primarily attributable to (i) proceeds from bank borrowings of RMB1,021.7 million, and (ii) proceeds from share issues of RMB205.6 million and partially offset by (i) repayments of bank borrowings of RMB207.9 million, and (ii) interest paid of RMB18.2 million.

In 2022, our net cash generated from financing activities was RMB459.1 million, primarily attributable to (i) proceeds from bank borrowings of RMB295.2 million; (ii) proceeds from share issues of RMB152.3 million and (iii) proceed from a shareholder of RMB100.0 million and partially offset by (i) repayments of bank borrowings of RMB83.3 million, and (ii) interest paid of RMB4.6 million.

WORKING CAPITAL

Taking into account the financial resources available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available bank facilities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document.

We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities, bank facilities and funds raised from financing activities, including the net [**REDACTED**] we will receive from the [**REDACTED**].

INDEBTEDNESS

The following table sets forth a breakdown of our financial indebtedness as of the dates indicated.

	Year Ended December 31,			As of September 30,	As of January 31,
	2022	2023	2024	2025	2026
	(RMB in thousands)				*(unaudited)*
Current					
Redemption liabilities	213,637	16,673	18,007	–	–
Borrowings	142,405	315,181	303,536	65,025	163,486
Lease liabilities	344	261	67	66	67
Non-Current					
Borrowings	170,783	811,811	808,594	704,513	736,010
Total	**527,169**	**1,143,926**	**1,130,204**	**769,604**	**899,563**

Our borrowings amounted to RMB313.2 million, RMB1,127.0 million, RMB1,112.1 million, RMB769.5 million, and RMB899.6 million as of December 31, 2022, 2023 and 2024, September 30, 2025, and January 31, 2026, respectively. For the interest rate profile of our interest-bearing bank borrowings during the Track Record Period, see Note 28 to the Accountant's Report in Appendix I to this Document. As of December 31, 2022, 2023 and 2024, September 30, 2025, and January 31, 2026, RMB52.3 million, RMB628.7 million, RMB555.2 million, RMB504.7 million and RMB371.3 million of our borrowings were secured. We had unsecured borrowings of RMB260.9 million, RMB498.3 million, RMB556.9 million, RMB264.9 million and RMB528.1 million as of December 31, 2022, 2023 and 2024, September 30, 2025, and January 31, 2026, respectively.

As of January 31, 2026, we had bank facilities of RMB1,639.3 million which remained unutilized.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant and undertakings on any of our outstanding debt, guarantees, pledge of key assets or other contingent obligations and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any

difficulty in obtaining bank loans and other borrowings, default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the date of this Document.

Lease liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of January 31, 2026 being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since January 31, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years/periods indicated.

	Year Ended December 31,			Nine Months Ended September 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)			*(unaudited)*	
Purchase of property, plant and equipment	533,701	1,157,361	204,695	191,151	69,806
Total	**533,701**	**1,157,361**	**204,695**	**191,151**	**69,806**

Our capital expenditures were RMB533.7 million, RMB1,157.4 million, RMB204.7 million and RMB69.8 million, respectively, in 2022, 2023 and 2024 and for the nine months ended September 30, 2025, primarily attributable to capital expenditures on payment of property, plant and equipment. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities, our available banking facilities and [**REDACTED**] from the [**REDACTED**]. We will continue to make capital expenditures to meet the expected growth of our business. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]."

CONTRACTUAL OBLIGATIONS

Capital Expenditure Related Commitments

Our capital commitments are related to capital expenditure on construction-in-progress and office equipment to be incurred but not yet recorded as liabilities. Our capital expenditure contracted for but not yet incurred as of December 31, 2022, 2023 and 2024 and September 30, 2025 was RMB847.8 million, RMB88.6 million, RMB90.4 million and RMB72.4 million, respectively. We expect to satisfy our capital commitments using cash from operations, net [**REDACTED**] to be received from the [**REDACTED**] and bank borrowings available to us.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and 2024 and September 30, 2025, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

As of December 31, 2022, 2023 and 2024 and September 30, 2025, our outstanding balances was RMB1.9 million, RMB3.7 million, RMB9.0 million and RMB0.5 million with related parties of trade nature which mainly include trade and bills receivables.

KEY FINANCIAL RATIOS

The following table sets forth some of our key financial ratios for the dates indicated.

	As of and Years Ended December 31,			As of and Nine Months Ended September 30,
	2022	2023	2024	2025
Gross profit margin[(1)]	44.7%	39.0%	34.1%	25.6%
Current ratio[(2)]	0.8	1.8	4.0	6.5
Quick ratio[(3)]	0.7	1.2	3.6	5.8
Debt-to-asset ratio[(4)]	59.9%	52.4%	37.5%	31.8%

Notes:

(1) Gross profit margin is calculated using gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Current ratio equals current assets divided by current liabilities as of the relevant year/period end.

(3) Quick ratio equals current assets excluding inventories divided by current liabilities as of the relevant year/period end.

(4) Debt-to-Asset Ratio equals total liabilities divided by total assets multiplied by 100%.

Gross Profit Margin

Our gross profit margin decreased from 44.7% in 2022 to 39.0% in 2023, 34.1% in 2024 and further to 25.6% for the nine months ended September 30, 2025, primarily due to the changes in the offering mix and proportion of different categories of our services among each period. See "— Discussion of Results of Operations" in this section for more details on our gross profit margin.

Current Ratio and Quick Ratio

Our current ratio increased from 0.8 as of December 31, 2022, to 1.8 as of December 31, 2023, while our quick ratio increased from 0.7 as of December 31, 2022, to 1.2 as of December 31, 2023. This was primarily due to an increase in inventory of RMB259.7 million, an increase in cash and cash equivalents of RMB275.1 million at the year end of 2023, a decrease of redemption liabilities of RMB197.0 million partially offset by an increase in loans due within one year of RMB172.8 million.

Our current ratio further increased from 1.8 as of December 31, 2023, to 4.0 as of December 31, 2024, while our quick ratio rose from 1.2 as of December 31, 2023, to 3.6 as of December 31, 2024. This was mainly due to an increase of RMB1,481.1 million in cash and cash equivalents for the ending balance of 2024 compared to 2023.

Our current ratio further increased from 4.0 as of December 31, 2024 to 6.5 as of September 30, 2025, while our quick ratio increased from 3.6 as of December 31, 2024 to 5.8 as of September 30, 2025. This was primarily due to a decrease of borrowings of RMB342.6 million.

Debt-to-asset Ratio

Our debt-to-asset ratio decreased from 59.9% as of December 31, 2022 to 52.4% as of December 31, 2023, primarily because (i) the bank loans increased by RMB813.8 million from RMB313.2 million in 2022 to RMB1,127.0 million in 2023; (ii) deferred income increased by RMB105.4 million from RMB100.2 million in 2022 to RMB205.6 million in 2023; (iii) property, plant, and equipment increased by RMB1,163.4 million from RMB873.8 million in 2022 to RMB2,037.2 million in 2023; (iv) inventory increased by RMB259.7 million from RMB91.4 million in 2022 to RMB351.1 million in 2023; and (v) cash and cash equivalents increased by RMB275.1 million from RMB274.4 million in 2022 to RMB549.5 million in 2023.

Our debt-to-asset ratio decreased from 52.4% as of December 31, 2023 to 37.5% as of December 31, 2024, primarily because (i) taxes payable increased by RMB59.8 million from nil in 2023 to RMB59.8 million in 2024; (ii) deferred income increased by RMB55.3 million from RMB205.5 million in 2023 to RMB260.8 million in 2024; (iii) cash and cash equivalents increased by RMB1,481.1 million from RMB549.5 million in 2023 to RMB2,030.7 million in 2024.

Our debt-to-asset ratio decreased from 37.5% as of December 31, 2024 to 31.8% as of September 30, 2025, primarily because (i) borrowings decreased by RMB342.6 million from RMB1,112.1 million as of December 31, 2024 to RMB769.6 million as of September 30, 2025, (ii) income tax payable decreased by RMB23.2 million from RMB59.8 million as of December 31, 2024 to RMB36.5 million as of September 30, 2025, (iii) other payables and accruals decreased by RMB35.6 million from RMB145.1 million as of December 31, 2024 to RMB109.5 million as of September 30, 2025, (iv) prepayments, deposits and other receivables increased by RMB13.7 million from RMB7.5 million as of December 31, 2024 to RMB21.2 million as of September 30, 2025, and (v) trade and bills receivables increased by RMB139.3 million from RMB129.6 million as of December 31, 2024 to RMB269.0 million as of September 30, 2025.

For a more comprehensive discussion of the factors affecting our key financial ratios during the Track Record Period, see "— Discussion of Results of Operations."

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our activities expose us to a variety of financial risks, primarily the interest risk, credit risk, liquidity risk, equity price risk and foreign currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Market Risk

Foreign Exchange Risk

We provide products and services to overseas customers primarily priced in USD, while the raw materials, machinery, equipment, or services we purchase from overseas suppliers are primarily denominated in EUR and USD. As a result, we hold foreign currency-denominated assets and liabilities. Our functional currency is RMB. Any appreciation of RMB against USD or other foreign currencies could lead to a decrease in the value of our foreign currency-denominated assets, resulting in losses, while foreign currency-denominated liabilities would decrease, resulting in gains. Conversely, any depreciation of RMB against USD or other foreign currencies would increase the value of foreign currency-denominated assets, resulting in gains, while foreign currency-denominated liabilities would increase, resulting in losses. We are exposed to foreign currency risks on both revenue and cost components. These exposures arise from transactions denominated in currencies other than the functional currency of the respective group entities. Additionally, we face foreign currency risks associated with assets and liabilities, which are from balances recorded in currencies differing from the functional currency of the relevant group entities. As of September 30, 2025, we had monetary assets of RMB1.3 billion denominated in USD. If RMB appreciates by 5% against USD, we will experience foreign exchange loss of approximately RMB66.8 million. For more details about the impact of our asset denominated under foreign currency, see Note 42 to the Accountant's Report included in Appendix I to this Document.

Our management actively monitors foreign currency exposures by closely tracking fluctuations in foreign exchange rates. To mitigate these risks, we require group entities to manage their foreign exchange risks relative to their respective functional currencies. For further details, see Note 42(d) to the Accountant's Report in Appendix I to this Document. Our primary foreign currency-denominated assets included USD deposits and USD accounts receivable, while our primary foreign currency-denominated liabilities included EUR payables and USD payables. For details, see "Risk Factors — Risks Related to Our Business and Industry — We are subject to PRC Regulatory Authorities' regulations on currency conversion and risks relating to fluctuations in exchange rates."

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from cash at bank and time deposits except for fixed deposits. Our interest-bearing financial instruments at fixed interest rates as of December 31, 2022, 2023 and 2024 are fixed deposits and the change of market interest rate does not expose us to fair value interest risk. Our Directors consider that our exposure to interest rate risk is not significant. For further details, see Note 42 to the Accountant's Report in Appendix I to this Document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and bills receivables, deposits and other receivables. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. In respect of trade and bills receivables, deposits and other receivables, credit evaluations are performed on all debtors. 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 customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade and bills receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers. For further details, see Note 42 to the Accountant's Report in Appendix I to this Document.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents for our business development and expansion. We have built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves. For further details, see Note 42 to the Accountant's Report in Appendix I to this Document.

DIVIDEND

During the Track Record Period, no dividends have been declared and paid by us.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

[**REDACTED**] EXPENSES

Our [**REDACTED**] expenses mainly include (i) [**REDACTED**]-related expenses, such as [**REDACTED**] fees and [**REDACTED**], and (ii) non-[**REDACTED**]-related expenses, comprising professional fees paid to our legal advisors, consultants and Reporting Accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Based on the [**REDACTED**] of HK$[**REDACTED**], the total [**REDACTED**] expenses (including [**REDACTED**]) payable by our Company are estimated to be approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), assuming the [**REDACTED**] is not exercised, of which HK$[**REDACTED**] had been and is expected to be charged to our consolidated statements of profit or loss and HK$[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**]. These [**REDACTED**] expenses mainly comprise professional fees paid and payable to the professional parties, and [**REDACTED**] payable to the [**REDACTED**], for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. During the Track Record Period, we had recognized [**REDACTED**] expenses in relation to the [**REDACTED**] of approximately RMB[**REDACTED**] to our consolidated statements of profit or loss and had prepaid [**REDACTED**] expenses and deferred issue costs of RMB[**REDACTED**] to our consolidated statement of financial position. During the Track Record Period, we also recognized an additional amount of RMB8.5 million expenses in relation to our prior A share listing application, which accounts for an aggregate of RMB[**REDACTED**] expenses.

We estimate that an additional [**REDACTED**] expenses of RMB[**REDACTED**] (including [**REDACTED**] of RMB[**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]), accounting for [**REDACTED**]% of our gross [**REDACTED**], will be further incurred by our Group, of which RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and RMB[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**].

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

[**REDACTED**]

Please refer to "Appendix II — Unaudited [**REDACTED**] Financial Information" for further details.

FINANCIAL STRATEGIES

We had revenue of RMB440.7 million, RMB1,142.5 million, RMB974.3 million, RMB808.3 million and RMB535.1 million in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, respectively. From 2023, the semiconductor industry entered a new inventory cycle for the entire industry, leading to a sequential inventory adjustment across its downstream applications. According to CIC, this process started in the consumer electronics segment in 2022 before impacting semiconductors power devices, particularly in automotive, in 2023. Given the intricate industry chain, this de-stocking wave gradually moved upstream to our segment of the value chain, leading to a decline in our sales and revenue.

The semiconductor industry is inherently cyclical, shaped by inventory dynamics, technological transitions, and other macroeconomic factors, and typically progresses from shifts in downstream demand to capacity expansion, oversupply, inventory correction, and subsequent demand recovery. This pattern is reflected across product generations, with different products concurrently positioned in the growth, maturity, or decline stages of the product life cycle. According to CIC, recent fluctuations have been driven primarily by downstream demand adjustments and the transition from 4-inch to 6-inch and further to 8-inch wafers. As 4-inch SiC epitaxial wafers ceased to be the mainstream size, prices declined and subsequently stabilized as the technology matured and volumes contracted. Following a period of intensive price competition, 6-inch SiC epitaxial wafers entered the maturity phase, and supply–demand conditions became more balanced. Meanwhile, beginning in 2024, 8-inch SiC epitaxial wafers entered a rapid growth phase. This occurred against a backdrop of broader industry weakness characterized by slower demand growth and elevated inventories.

The current adjustment is expected to conclude in the second half of 2026 and is regarded as a cyclical correction rather than a structural deterioration. The market size projections for 2024 to 2029 indicate an improving trajectory, supported by rising vehicle demand and emerging industries, such as home appliances, AI computing power and data centers, smart grids, and eVTOL. By 2029, the global sales value of SiC epitaxial wafers used in EVs is projected to reach US$3.9 billion, with a CAGR of 37.9% from 2024 to 2029. Emerging industries have high growth potential, and global sales value from SiC epitaxial wafers for them is expected to grow at a CAGR of 54.5%.

Given the relatively higher average selling prices of 8-inch wafers, initial adoption has been concentrated among customers in automotive-grade and industrial applications that can support the associated cost structure. We expect the cost of 8-inch wafers to decline over the foreseeable future, at which point their use is likely to broaden into the same downstream industries served by our 6-inch wafers, including consumer electronics. According to CIC, the sales volume of 8-inch SiC epitaxial wafers has exhibited the most remarkable growth, increasing from only 0.9 thousand pieces in 2020 to 137.1 thousand pieces in 2024, with a CAGR of 254.6%. By 2029, it is expected to increase to 3,784.8 thousand pieces, with a CAGR of 94.2% from 2024 to 2029. Over the long term, demand for SiC and SiC epitaxial wafers is expected to remain robust, supported by the recovery of downstream demand, the gradual absorption of excess inventory, and secular growth drivers across EVs, charging infrastructure, renewable energy, and energy storage systems, as well as emerging applications including home appliances, AI compute and data centers, smart grids, and eVTOL.

Against this industry backdrop, since 2023, we have faced pricing pressure, as our product pricing is influenced by downward industry-wide prices, resulted in a decrease in our revenue from 2023 to 2024. As the world's largest SiC epitaxial foundry by annual sales volume since 2023, we are well-positioned to capture the future growth. Our business is underpinned by core competitive advantages, including technological expertise, cost efficiency, gross margin leadership, stable

supply chain and strong customer loyalty, which allow us to navigate industry cycles resiliently. We are prepared to capture future growth and solidify our financial performance when the global SiC epitaxial market regains momentum.

We had the following financial strategies to continue to grow our business and tackle potential market fluctuations:

Expand Our Customer Base and Drive Revenue Growth

To maintain our sustained profitable growth in the long term, we intend to take the following measures to drive revenue growth:

- *Continue to strengthen and enhance our technologies.* We intend to continue to address the evolving needs of end customers. Through targeted R&D efforts, we aim to enhance product performance and overcome technical bottlenecks. Specifically, we have been pursuing advancements and improvements in technologies such as composite substrate epitaxy, trench filling epitaxy, multi-layer epitaxy and ultra-thick epitaxy to further improve the quality of our products and enhance their market competitiveness. The table below sets forth the details about our certain ongoing R&D projects.

	Projects	Targets
1 . .	SiC trench epitaxial refiling process	Develop trench epitaxial refiling technology to enable void-free SiC epitaxy in trenches with a certain depth-to-width ratio
2 . .	High-quality SiC thick-film homoepitaxial technology	Develop high-quality thick-film epitaxial technologies to improve the performance of our epitaxial wafers in various aspects such as thickness variation, doping concentration, doping uniformity and surface defect density
3 . .	High-quality 6-inch multi-layer SiC epitaxy technology	Develop high-quality 6-inch multi-layer epitaxy technology and achieve multiple epitaxial layers per wafer with controlled interface transition sharpness
4 . .	High-uniformity 8-inch SiC epitaxial wafer	Refine 8-inch epitaxial growth technologies to improve the performance of our epitaxial wafers in various aspects, such as all-point thickness tolerance, thickness uniformity, all-point doping tolerance, doping uniformity and surface defect density

- *Strategic focus on 8-inch SiC epitaxial wafers.* We seek to strengthen our leadership in the 8-inch SiC epitaxial wafer market, recognizing its growing importance in the industry. We were the first in the world to achieve large-scale commercial supply of 8-inch SiC epitaxial wafers. Our sales volume for 8-inch SiC epitaxial wafers increased from 285 pieces in 2023 to 7,466 pieces in 2024 and further increased from 6,057 pieces for the nine months ended September 30, 2024 to 10,788 pieces for the same period in

2025. This growth reflects the industry's accelerating adoption of 8-inch wafers, driven by their clear advantages: 1.8 times larger wafer area compared to 6-inch, a reduction in edge die ratio from 14% to 7%, and a 90% boost in the number of bare dies per wafer. To meet the market's growing demand for 8-inch SiC epitaxial wafers, we are strategically allocating additional manufacturing capacity to expand production of 8-inch SiC epitaxial wafers. This approach not only positions us to capture greater market share but also enables us to reduce fixed unit costs, further enhancing our competitiveness in the market. Our Directors are of the view that, having achieved the commercialization capabilities for 8-inch SiC epitaxial wafers, we are able to leverage our first-mover advantage to mass produce 8-inch SiC epitaxial wafers, meet the growing market demand and turn around our financial performance to enhance profitability in the future.

- *Continuously expanding market share for 6-inch SiC epitaxial wafers.* Our sales volume for 6-inch SiC epitaxial wafers increased from 81,633 pieces in 2022 to 199,708 pieces in 2023, primarily due to the growth of downstream applications and demands from our customers. Our sales volume for 6-inch SiC epitaxial wafers decreased from 199,708 pieces in 2023 to 156,584 pieces in 2024, primarily due to the larger stocking of our downstream customers in 2023. Our sales volume for 6-inch SiC epitaxial wafers increased from 126,648 pieces for the nine months ended September 30, 2024 to 137,184 pieces for the same period in 2025. According to CIC, this inventory adjustment cycle, expected to conclude by the second half of 2026, reflects a cyclical rebalancing of supply and demand as well as impact from the transition from 4-inch to 6-inch and 8-inch wafers rather than a structural decline in the market. From a long-term perspective, the demand for SiC and SiC epitaxial wafer is expected to maintain strong growth, driven by the recovery of previous downstream demand along with gradual absorption of excessive inventory, combined with the significant potential of downstream industries. According to CIC, the sales value generated by 6-inch epitaxial wafers is expected to increase from US$0.8 billion in 2024 to US$1.3 billion by 2029, with a CAGR of 9.4% from 2024 to 2029. To strengthen our position in the 6-inch SiC epitaxial wafer market, we are actively pursuing multiple strategic initiatives. These include implementing targeted marketing efforts. In particular, we intend to strengthen our sales outreach by deploying a dedicated field engagement team to build deeper relationships with key accounts and prospects. In parallel, we plan to actively participate in leading industry exhibitions and academic forums, both domestically and globally, to expand our market presence, capture emerging opportunities, and strengthen customer relationships. These efforts will enable us to better understand evolving market demands, identify new opportunities, and solidify our position with existing customers, which will eventually lead to better sales and operation results.

  According to the CIC, that the adjustment cycle is expected to conclude in the second half of 2026, for the following reasons:

  - *The Cumulative Lag of Demand Recovery Through the Value Chain:* The recovery signal starts with end-device sales (e.g., NEVs), but its impact on upstream semiconductor manufacturers (e.g., SiC epitaxial wafer foundries) occurs with a significant lag. The 8.1% year-over-year growth in NEV sales in the first half of 2025 needs to work through existing component inventories at OEM and Tier-1 supplier levels first before translating into new orders for wafer producers. This multi-stage inventory digestion process inherently delays the upstream recovery by several quarters, pushing the full rebound into 2026.

- ➢ *The Critical Mass of "Native-SiC" Vehicle Platforms Ramping Production:* Many OEMs have designed new EV platforms around SiC's benefits (efficiency, endurance, and faster charging, among others). These models, slated for mass production in late 2025 and 2026, are not just using SiC as an option; they are structural, non-negotiable demand drivers. As these hit their production stride, they will generate a steep, relatively inelastic, and sustained surge in demand for SiC devices, which the supply chain must ramp to meet. The second half of 2026 is a timeline for this demand wave to fully propagate upstream. Before 2024, most of the EV models use silicon-based IGBT devices, which has reached the physical limitation and cannot support for 800V and higher architecture. As the price of SiC power devices decline and the wide adoption of 800V electrical architecture in 2025, the use of SiC power device becomes a necessity, bringing high demand to SiC power devices and epitaxial wafers as well.

- ➢ *The Achievement of a Key Cost-Competitiveness Threshold:* By late 2026, the combined effects of greater manufacturing scale and technological advancements (including the transition to 8-inch wafers) are projected to lower SiC device costs to a point where its value proposition becomes the preferred option for mainstream automotive and industrial applications, not just premium segments. This cost-down inflection point will significantly accelerate adoption, finally clearing oversupply.

- ➢ *The Synergy of AI and Energy Transition Demand:* The recent AI boom primarily benefits high-performance computing chips and servers. However, AI's energy demand is immense. By 2026, the need for power management and energy efficiency from AI data centers and the supporting grid will become a major secondary demand source for SiC. This creates a synergistic demand pull from both transformative applications (AI/computing) and transformative electrification (NEVs/energy), promoting a recovery that is broad-based and resilient.

- ➢ *The Natural Duration of Historical Semiconductor Cycles:* Historical evidence suggests major semiconductor inventory cycles typically last three to four years. The downturn began in earnest in 2023. A conclusion in the second half of 2026 would align with an approximately 3.5-year cycle duration, which is consistent with the time required for the market to rationalize capacity, innovate on cost, and for new demand drivers to mature.

- *Implement targeted market expansion plan to reach new customers.* We seek to expand our market presence through targeted strategies in order to connect with a broader customer base. In the domestic market, our focus is on steadily growing our customer base, deepening strategic partnerships with key accounts, developing innovative downstream industry applications, and delivering increasingly competitive products as we scale efficiently. In the international market, we aim to strengthen relationships with global industry leaders by elevating product and service quality, ultimately bolstering customer loyalty, and to offer agile, tailored solutions that maintain our competitive edge. This dual approach could allow us to reach a broader customer pool both domestically and internationally.

- *Collaborate closely with downstream customers in joint R&D projects.* By partnering with customers on customized early-stage R&D projects, we seek to strengthen our customer relationships and foster loyalty. This approach not only aligns our R&D focus with customer-specific needs but also positions us as a trusted partner, enhancing customer loyalty and long-term revenue potential. The table below sets forth the details about our certain future R&D plans.

	Projects	Targets
1 . .	SiC superjunction device epitaxial technology	Develop and refine trench etching and epitaxial refiling process.
2 . .	8-inch SiC epitaxial wafers with low defect density	Develop SiC epitaxial growth technologies with lower defect density for 8-inch wafers.

- *Explore new downstream market applications.* Tapping into industries that have yet to adopt SiC materials on a large scale, such as home appliances, AI computing power and data centers, smart grids, energy storage and eVTOL, presents significant growth opportunities. By tapping into these emerging markets, we could expand downstream market applications, unlocking new revenue streams.

- *Actively participate in promoting SiC and drive the adoption of SiC materials.* We intend to actively participate in market education initiatives to accelerate the adoption of SiC materials in various use scenarios. Through publishing industry white papers and standards, hosting technical seminars, attending industry exhibition and advocating the advantages of SiC, we seek to raise awareness, shape industry standards, and drive the market's transition toward SiC solutions, fueling future growth. During the Track Record Period, our efforts on participating industry exhibitions and initiatives in the development of industry standards bolstered our industry recognition. This heightened visibility strengthened our brand authority and played a role in translating market interest into tangible business opportunities, supporting our order conversion efforts. Looking ahead, we remain committed to sustaining and expanding these efforts. By continuing to showcase our expertise through high-impact exhibitions and contributing to the development of forward-looking industry standards, we aim to accelerate the widespread adoption of SiC materials. This approach can help us to solidify our position and drive scalable growth, enabling us to capture new market segments and expand our business footprint strategically.

Improve Operational Efficiency and Enhance Operating Leverage

We aim to improve operating efficiency in every key aspect of our business. We expect to improve our operational efficiency by implementing the following:

- *Optimizing raw material costs.* Our raw material costs amounted to RMB180.0 million, RMB495.0 million, RMB411.3 million, RMB327.3 million and RMB214.2 million, respectively, in 2022, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, representing for 73.9%, 71.0%, 64.1%, 62.6% and 53.8%, respectively, of our total cost of sales in the same periods. By periodically tracking market changes, we could monitor and record raw material price fluctuations, timely recognize price trends and flexibly adjust procurement plan in advance. We plan to continue to strengthen collaborations with upstream suppliers to secure more favorable terms and develop a more cost-effective raw material procurement strategy. Furthermore, improved process efficiency and production yield rate also mitigate raw material expenditure on each wafer, and we intend to implement targeted initiatives to integrate cost saving strategies with our enhancing product quality and supply chain stability.

- *Order-based production and inventory optimization.* We plan to continue our order-based production strategy, focusing on optimizing raw material stocking mechanisms to enhance turnover efficiency and minimize inventory backlogs. By aligning production closely with demand, we aim to streamline operations, reduce excess inventory, and establish an efficient supply chain. For example, we intend to coordinate our upstream suppliers for shorter procurement cycles, so as to increase storage flexibility and reduce

inventory backlogs. We also plan to categorize our inventories to realize refined management. For critical materials with high value and low quantity, we intend to implement frequent stocktaking and stringent management policy. For low-value bulk materials, we intend to simplify the management procedure and maintain necessary secure inventory level.

- *Enhancing operational efficiency through advanced production line automation.* We plan to prioritize production line automation upgrades to enhance per capita output and reduce unit labour costs, driving operational efficiency and improving utilization rates. For example, in the labor-intensive processes of precise substrate placement and epitaxial wafer retrieval, we are utilizing an integrated multi-axis robotic system with vision positioning to achieve highly precise automated operations. Higher level of automation can reduce our unit cost and improve production efficiency. We believe these efforts establish a scalable automation model for future production expansion, while supporting our long-term operational efficiency.

Based on the foregoing, our Directors believe that the aforementioned measures will be effective and sustainable in improving our operating and financial performance. Considering the independent due diligence conducted by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor which would cause them to cast reasonable doubt on the Company's view above.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of the Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since September 30, 2025, the end of the period reported on the Accountant's Report included in Appendix I to this Document; and there has been no event since September 30, 2025 which would materially affect the information presented in the Accountant's Report set out in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see "Business — Our Growth Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no [**REDACTED**] is exercised and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**].

In line with our strategies, we intend to use the net [**REDACTED**] for the following purposes, subject to changes with respect to our evolving business needs and changing market conditions:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to expand our production capacity of the SiC epitaxial wafers in a disciplined and prudent manner over the next five years, in response to the growing market demands. In particular, we plan to scale up our production of 8-inch SiC epitaxial wafers in a market-driven manner to align with the anticipated expansion of the market in the coming years. We intend to adopt a measured approach to forecasting market demand, enabling flexible capacity expansion while continuously adjusting our plans in response to actual market conditions.

  According to CIC, the global sales volume of 8-inch SiC epitaxial wafers is expected to increase from 0.1 million pieces in 2024 to 3.8 million pieces by 2029, representing a CAGR of 94.2%. According to public information, the world's top five SiC chip manufacturers have collectively launched investments of over US$25 billion in 8-inch SiC power device production lines, with each expected to create a demand of over two million 8-inch epitaxial wafers upon full production. In 2024, in terms of sales volume in open market, our market share among foundries in the global SiC epitaxy wafer market exceeded 30%, according to CIC. Supported by our leading market position, R&D capabilities and established customer base, we are well positioned to capture the market growth potentials. To this regard, our extensive customer base, including seven of the world's top ten SiC power device giants, provides us with significant growth opportunities for 8-inch SiC epitaxial wafers. We have earned their deep trust through our extensive technical expertise, large-scale production capabilities, stable quality assurance, consistent delivery, and reliable after-sales service.

  In addition, we actively engage in marketing through exhibitions and industry forums. Combined with our stable supply capabilities and leading technical advantages in 8-inch SiC epitaxial wafers, this has positioned us as a go-to supplier for new manufacturers entering the 8-inch SiC power device market. As of September 30, 2025, we had established 8-inch product partnerships with 18 companies globally, including three of the top ten industry giants.

  Further, to better capture the market potentials, we have also formulated a timely strategy to nurture more overseas collaboration and partnership. We plan to continue and deepen our collaboration with leading global SiC power device manufacturers in key regions across the world, expanding our global footprint.

  To strengthen our competitiveness in the market growth, we plan to continuously invest in the research and development of 8-inch SiC epitaxial wafers. Our current and future projects include the development of high-uniformity 8-inch SiC epitaxial wafer, 8-inch SiC epitaxial wafers with low defect density, and high-quality automotive-grade 8-inch SiC MOS epitaxial wafers.

We plan to expand our production capacity of 8-inch SiC epitaxial wafers to capitalize on market opportunities and optimize the utilization of our manufacturing capacity. We had utilization rate of 88.9%, 93.7%, 56.1% and 43.0% in 2022, 2023, 2024 and the nine months ended September 30, 2025. Despite such fluctuation in utilization rate, given the typical lead time from investment to capacity ramp-up in SiC epitaxial wafer production and market demand may rise within a short time, we consider it strategically necessary to expand our capacity in advance to prepare ourselves for the future market opportunities. In addition, we also expect to reduce unit production costs through capacity expansion, enhance our competitiveness and improve our long-term profitability through the economy of scale. In connection with such plans, we will purchase and upgrade equipment and machinery for production and recruit manufacturing personnel. We expect our enlarged production capacity of 8-inch wafers for about ten times from current 40.0 thousand pieces per year to reach 463.0 thousand pieces per year in 2029, and the utilization rate of the Xiamen production base is expected to reach over 70% in 2029 after the completion of the upgrades and recruitment of staff. We expect such investment will lead to the increase in our capital expenditure, depreciation and staff costs, while contributing to an improvement in our profit margin in the long term. In particular:

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used for the procurement and upgrade of our equipment and machinery to expand our production capacity of the SiC epitaxial wafers. We plan to utilize such net [**REDACTED**] with expected allocations of approximately HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, in each year over the next five years. In particular, among others, we plan to procure and upgrade furnaces and production machinery of HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, in each year over the next five years. We also plan to procure inspection, cleaning and other equipment of HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, in each year over the next five years.

  We develop production expansion plans primarily based on (i) the anticipated demands for our SiC epitaxial wafers, (ii) the current and anticipated prices for our SiC epitaxial wafers, (iii) the utilization of the existing production base and the feasibility of its expansion, (iv) the estimated cost of expansion, and (v) our estimated capital resources.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to complete and improve the construction of our existing production base to support the expanded capacity of our production base. We plan to utilize such net [**REDACTED**] with expected allocations of approximately HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, in each year over the next five years. In particular, in the first year, we plan to launch the initial phase of our equipment automation and gas recycling projects, alongside the construction of our new high- and low-voltage power distribution systems, which are expected to be completed in two years with a total estimated investment of HK$[**REDACTED**]. In the second year, we plan to complete the construction of a new plant and cleanroom facilities at our Xiamen production base with an estimated investment of HK$[**REDACTED**]. We also intend to procure the initial supporting production systems for the new plant, including gas delivery system, ultrapure water system, chiller, air compressing system, chemical supply system, wastewater treatment system and UPS systems, with an estimated investment of HK$[**REDACTED**]. In addition, we plan to upgrade our power supply system at our Xiamen production base by initiating a two-year construction of a 110kV

substation with an estimated investment of HK$[**REDACTED**]. From the third to the fifth year, we plan to expand the supporting production systems in line with our capacity ramp-up and complete the automation upgrades of all our production equipment, with the estimated annual investment of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively.

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in the recruitment of our production-related personnel. We plan to recruit approximately 500 manufacturing personnel at our production base to support the expansion of our production. In particular, we plan to recruit approximately 76, 114, 107, 106 and 97 new personnel, respectively, in each year over the next five years. Our current operational headcount suffices a monthly production output of approximately 25,000 SiC epitaxial wafers, with the majority being 6-inch wafers. Looking ahead, to fully utilize the designed capacity of our production site, we anticipate a need for additional personnel to support two key strategic objectives: (i) our continued expansion of our 8-inch wafer manufacturing capacity to meet growing market demand for next-generation power devices; and (ii) our focus on increasing the capacity utilization rate of our existing 6-inch production lines to maximize output and efficiency. To ensure smooth and uninterrupted production during this dual-path growth, an increase in workforce is necessary even after considering workforce reductions that we expect to achieve through planned upgrades of our automation systems.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in the R&D of SiC epitaxial wafers to enhance our technical capabilities and solidify our technical advantages. We plan to further invest in key technologies, focusing on our 6-inch and 8-inch high-quality SiC epitaxial wafer production technology, such as high-concentration uniform epitaxial growth, thick and ultra-thick film epitaxial growth, composite substrate epitaxial growth, trench refilling epitaxial technology and multi-layer epitaxial growth. As technological advancements enhance the competitiveness of our products, we expect these investments to increase our research and development expenses while also improving our profit margins.

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used for the development of our technology and R&D center, including the procurement of equipment and machinery. We expect to complete the upgrade of our technology and R&D center in the first year, and procure new R&D equipment and machinery of HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, in each year over the next five years.

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used to purchase R&D materials and other development expenses including, among others, substrates, R&D consumables, special gases, equipment spare components and chemical materials. We expect to utilize approximately HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, in each year over the next five years.

  - Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used in the recruitment of our research and development staff. We plan to recruit approximately 75 new employees to support our increasing research and development efforts and we expect to recruit 27, 21, 13, 10 and four new personnel in each year over the next five years, respectively.

- Approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], will be used as working capital and for general corporate purposes.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]. In the event that the [**REDACTED**] is exercised in full, we intend to apply the additional net [**REDACTED**] to the aforementioned purposes in the proportions stated above.

To the extent that our net [**REDACTED**] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash available on hands, bank loans and other borrowings.

If the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will only deposit the net [**REDACTED**] into short-term interest bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions, including announce such changes on a timely basis. We will comply with all disclosure requirements under the Listing Rules if there is any change to the above proposed use of [**REDACTED**].

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The following is the text of a report set out on pages I-1 to I-[●], received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of BDO Limited]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EPIWORLD INTERNATIONAL CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

INTRODUCTION

We report on the historical financial information of Epiworld International Co., Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages [●] to [●], which comprises the consolidated statements of financial position as at December 31, 2022, 2023, 2024 and September 30, 2025 and the statements of financial position of the Company as at December 31, 2022, 2023, 2024 and September 30, 2025, 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 of the Group for each of the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 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 [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified

Public Accountants ("**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' judgment, 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2022, 2023, 2024 and September 30, 2025, the Company's financial position as at December 31, 2022, 2023, 2024 and September 30, 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2024 and other explanatory information (together the **"Stub Period Comparative Historical Financial Information"**). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other

review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends declared and paid by the Company in respect of the Track Record Period.

BDO Limited
Certified Public Accountants
[●]
Practising Certificate no.
Hong Kong

Date

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board ("**IASB**") and Interpretations (collectively "**IFRS Accounting Standards**") and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Nine months ended September 30,	
		2022	2023	2024	2024	2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
REVENUE	*7*	**440,691**	**1,142,502**	**974,316**	**808,250**	**535,063**
Cost of sales		(243,754)	(697,103)	(642,007)	(522,542)	(397,982)
Gross profit		**196,937**	**445,399**	**332,309**	**285,708**	**137,081**
Other income and other gains and losses, net	*8*	21,534	63,451	168,402	107,583	132,621
Selling and distribution expenses		(1,866)	(48,776)	(5,513)	(6,770)	(8,224)
Administrative and other expenses		(48,136)	(162,749)	(175,575)	(147,142)	(155,126)
Research and development costs		(43,829)	(101,786)	(79,992)	(62,096)	(50,374)
(Impairment loss)/reversal of impairment loss on financial assets, net	*10*	(901)	149	(1,253)	(200)	(2,116)
Finance costs	*9*	(20,281)	(32,535)	(30,197)	(21,595)	(9,636)
PROFIT BEFORE TAX	*10*	**103,458**	**163,153**	**208,181**	**155,488**	**44,226**
Income tax credit/ (expense)	*11*	24,085	(55,648)	(43,114)	(37,075)	(23,081)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**127,543**	**107,505**	**165,067**	**118,413**	**21,145**
Earnings per share (RMB) attributable to owners of the Company						
Basic and diluted	*13*	0.40	0.32	0.43	0.31	0.05

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2022	As at December 31, 2023	As at December 31, 2024	As at September 30, 2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*15*	873,818	2,037,231	2,047,566	1,943,010
Right-of-use assets	*16*	343	371	77	110
Intangible assets	*18*	76	918	2,075	1,818
Prepayments for acquisition of property, plant and equipment		35,982	1,936	1,582	8,745
Term deposits	*23*	20,122	–	–	–
Deferred tax assets	*19*	24,085	–	49	2,206
Other non-current assets		1,964	2,767	2,930	2,279
Total non-current assets		**956,390**	**2,043,223**	**2,054,279**	**1,958,168**
Current assets					
Inventories	*20*	91,404	351,086	247,640	270,945
Trade and bills receivables	*21*	106,796	78,666	129,645	268,964
Prepayments, deposits and other receivables	*22*	15,527	7,992	7,468	21,169
Value-added tax ("VAT") recoverable		8,564	22,488	33,259	14,591
Term deposits	*23*	500	20,622	–	–
Cash and cash equivalents	*23*	274,417	549,521	2,030,653	1,832,787
Total current assets		**497,208**	**1,030,375**	**2,448,665**	**2,408,456**
Current liabilities					
Trade and bills payables	*24*	54,863	32,912	71,883	154,964
Other payables and accruals	*25*	182,077	191,731	145,089	109,489
Contract liabilities	*26*	5,757	3,730	6,795	736
Lease liabilities	*27*	344	261	67	66
Borrowings	*28*	142,405	315,181	303,536	65,025
Derivative financial instruments	*30*	–	–	–	2,140
Redemption liabilities	*31*	213,637	16,673	18,007	–
Income tax payable		–	–	59,765	36,541
Total current liabilities		**599,083**	**560,488**	**605,142**	**368,961**
Net current (liabilities)/assets		**(101,875)**	**469,887**	**1,843,523**	**2,039,495**
TOTAL ASSETS LESS CURRENT LIABILITIES		**854,515**	**2,513,110**	**3,897,802**	**3,997,663**
Non-current liabilities					
Borrowings	*28*	170,783	811,811	808,594	704,513
Deferred revenue	*29*	100,230	205,569	260,764	312,029
Deferred tax liabilities	*19*	–	31,563	14,960	3,657
Total non-current liabilities		**271,013**	**1,048,943**	**1,084,318**	**1,020,199**
Net assets		**583,502**	**1,464,167**	**2,813,484**	**2,977,464**
EQUITY					
Equity attributable to owners of the Company					
Share capital	*32*	214,845	388,192	404,093	404,093
Reserves	*33*	368,657	1,075,975	2,409,391	2,573,371
TOTAL EQUITY		**583,502**	**1,464,167**	**2,813,484**	**2,977,464**

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December, 31			As at September 30,
		2022	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*15*	873,818	2,037,231	1,837,431	1,750,561
Right-of-use assets	*16*	343	371	–	–
Investments in subsidiaries	*17*	–	–	50,000	50,000
Intangible assets	*18*	76	918	2,075	1,818
Prepayments for acquisition of property, plant and equipment		35,982	1,936	1,582	8,745
Term deposits	*23*	20,122	–	–	–
Deferred tax assets	*19*	24,085	–	–	–
Other non-current assets		1,964	2,767	2,930	2,279
Total non-current assets		**956,390**	**2,043,223**	**1,894,018**	**1,813,403**
Current assets					
Inventories	*20*	91,404	351,086	229,534	203,628
Trade and bills receivables	*21*	106,796	78,666	64,568	67,418
Prepayments, deposits and other receivables	*22*	15,527	7,992	7,354	21,059
VAT recoverable		8,564	22,488	2,031	–
Amount due from a subsidiary	*34*	–	–	210,709	421,229
Term deposits	*23*	500	20,622	–	–
Cash and cash equivalents	*23*	274,417	549,521	2,022,075	1,705,055
Total current assets		**497,208**	**1,030,375**	**2,536,271**	**2,418,389**
Current liabilities					
Trade and bills payables	*24*	54,863	32,912	36,870	30,688
Other payables and accruals	*25*	182,077	191,731	142,919	107,621
Contract liabilities	*26*	5,757	3,730	6,371	23
Lease liabilities	*27*	344	261	–	–
Borrowings	*28*	142,405	315,181	267,548	65,025
Derivative financial instruments	*30*	–	–	–	470
Redemption liabilities	*31*	213,637	16,673	18,007	–
Income tax payable		–	–	59,765	33,455
Total current liabilities		**599,083**	**560,488**	**531,480**	**237,282**
Net current (liabilities)/assets		**(101,875)**	**469,887**	**2,004,791**	**2,181,107**
TOTAL ASSETS LESS CURRENT LIABILITIES		**854,515**	**2,513,110**	**3,898,809**	**3,994,510**
Non-current liabilities					
Borrowings	*28*	170,783	811,811	808,594	704,513
Deferred revenue	*29*	100,230	205,569	260,764	312,029
Deferred tax liabilities	*19*	–	31,563	14,960	3,673
Total non-current liabilities		**271,013**	**1,048,943**	**1,084,318**	**1,020,215**
Net assets		**583,502**	**1,464,167**	**2,814,491**	**2,974,295**
EQUITY					
Share capital	*32*	214,845	388,192	404,093	404,093
Reserves	*33*	368,657	1,075,975	2,410,398	2,570,202
TOTAL EQUITY		**583,502**	**1,464,167**	**2,814,491**	**2,974,295**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Capital reserve*	Other reserve*	Statutory reserve*	Share-based payment reserve*	(Accumulated losses)/ retained earnings*	Total equity
	RMB'000 (Note 32)	*RMB'000 (Note 33(a))*	*RMB'000 (Note 33(e))*	*RMB'000 (Note 33(b))*	*RMB'000 (Note 33(d))*	*RMB'000 (Note 33(c))*	*RMB'000*
Balance at January 1, 2022	210,727	291,368	(121,133)	–	–	(205,880)	175,082
Profit and total comprehensive income for the year	–	–	–	–	–	127,543	127,543
Shares issued *(Note 32(a))*	4,118	248,184	–	–	–	–	252,302
Transfer to statutory reserve	–	–	–	1,417	–	(1,417)	–
Recognition of equity-settled share-based payments *(Note 38)*	–	28,575	–	–	–	–	28,575
Balance at December 31, 2022 and January 1, 2023	214,845	568,127	(121,133)	1,417	–	(79,754)	583,502
Profit and total comprehensive income for the year	–	–	–	–	–	107,505	107,505
Shares issued *(Note 32(b))*	3,672	276,328	–	–	–	–	280,000
Issue of restricted share units ("RSUs") *(Note 38)*	25,599	–	–	–	–	–	25,599
Capitalization issue *(Note 32(c))*	144,076	(144,076)	–	–	–	–	–
Conversion into a joint stock limited liability company *(Note 32(c))*	–	90,060	–	(1,417)	–	(88,643)	–
Transfer of statutory reserve	–	–	–	5,168	–	(5,168)	–
Derecognition due to termination of redemption rights *(Note 31)*	–	–	211,351	–	–	–	211,351
Recognition of equity-settled share-based payments *(Note 38)*	–	156,974	–	–	99,236	–	256,210
Balance at December 31, 2023	388,192	947,413	90,218	5,168	99,236	(66,060)	1,464,167

* These reserve accounts comprise the consolidated reserves as at December 31, 2022, 2023, 2024 and as at September 30, 2025 in the consolidated statements of financial position.

	Attributable to owners of the Company						
	Share capital	**Capital reserve***	**Other reserve***	**Statutory reserve***	**Share-based payment reserve***	**(Accumulated losses)/ retained earnings***	**Total equity**
	RMB'000 (Note 32)	*RMB'000 (Note 33(a))*	*RMB'000 (Note 33(e))*	*RMB'000 (Note 33(b))*	*RMB'000 (Note 33(d))*	*RMB'000 (Note 33(c))*	*RMB'000*
Balance at January 1, 2024	388,192	947,413	90,218	5,168	99,236	(66,060)	1,464,167
Profit and total comprehensive income for the year	–	–	–	–	–	165,067	165,067
Shares issued *(Note 32(d))*	15,901	1,014,100	–	–	–	–	1,030,001
Transfer to statutory reserve	–	–	–	16,173	–	(16,173)	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	154,249	–	154,249
Balance at December 31, 2024 and January 1, 2025	404,093	1,961,513	90,218	21,341	253,485	82,834	2,813,484
Profit and total comprehensive income for the period	–	–	–	–	–	11,888	11,888
Transfer to statutory reserve	–	–	–	1,436	–	(1,436)	–
Derecognition due to termination of redemption rights *(Note 31)*	–	–	18,351	–	–	–	18,351
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	124,484	–	124,484
Balance at September 30, 2025	404,093	1,961,513	108,569	22,777	377,969	93,286	2,977,464
Balance at January 1, 2024	388,192	947,413	90,218	5,168	99,236	(66,060)	1,464,167
Profit and total comprehensive income for the period	–	–	–	–	–	118,413	118,413
Transfer to statutory reserve	–	–	–	11,943	–	(11,943)	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	141,163	–	141,163
Balance at September 30, 2024 *(unaudited)*	388,192	947,413	90,218	17,111	240,399	40,410	1,723,743

* These reserve accounts comprise the consolidated reserves as at December 31, 2022, 2023, 2024 and as at September 30, 2025 in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cash flows from operating activities					
Profit before tax	103,458	163,153	208,181	155,488	44,226
Adjustments for:					
Depreciation of property, plant and equipment	30,592	95,923	144,715	103,186	128,933
Depreciation of right-of-use assets	486	719	276	243	99
Amortization of intangible assets	56	350	743	492	837
Finance costs	20,281	32,535	30,197	21,595	9,636
Interest income	(3,480)	(12,103)	(39,950)	(26,363)	(48,889)
(Reversal of)/write-down of inventories to net realizable value	(111)	4,552	1,070	(1,518)	2,360
(Gain)/loss on disposal of property, plant and equipment	(26)	(3,487)	(20)	(20)	5
Fair value loss on derivative financial instruments	–	–	–	–	2,140
Loss on lease termination	–	–	1	1	–
Impairment loss/(reversal of impairment loss) on financial assets, net	901	(149)	1,253	200	2,116
Equity-settled share-based payments	28,575	256,210	154,249	141,163	124,484
Operating profit before working capital changes	180,732	537,703	500,715	394,467	265,947
(Increase)/decrease in inventories	(40,184)	(264,234)	102,376	86,153	(25,665)
(Increase)/decrease in trade and bills receivables	(66,749)	28,280	(52,232)	(87,637)	(141,423)
(Increase)/decrease in prepayments, deposits and other receivables	(43,094)	(63,702)	49,962	70,645	(13,062)
Decrease/(increase) in VAT recoverable	4,250	(13,924)	(10,771)	(11,810)	18,668
Increase/(decrease) in trade and bills payables	46,076	(21,951)	38,971	91,778	83,081

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Increase/(decrease) in other payables and accruals	44,629	109,691	(46,643)	(56,974)	3,254
Increase/(decrease) in contract liabilities	4,911	(2,027)	3,065	6,338	(6,059)
Increase/(decrease) in deferred revenue	39,414	105,339	55,195	(22,029)	51,265
Cash from operation	169,985	415,175	640,638	470,931	236,006
Income tax paid	–	–	–	–	(59,765)
Net cash from operating activities	169,985	415,175	640,638	470,931	176,241
Cash flows from investing activities					
Purchase of property, plant and equipment	(533,701)	(1,157,361)	(204,695)	(191,151)	(69,806)
Proceeds from disposal of property, plant and equipment	400	5,992	1,691	–	35
Purchase of intangible assets	–	(1,192)	(1,900)	(373)	(580)
Interest received	3,480	12,103	39,950	26,363	48,889
Withdrawal of term deposits	24,551	–	20,622	20,622	–
Net cash used in investing activities	(505,270)	(1,140,458)	(144,332)	(144,539)	(21,462)

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from financing activities					
Proceeds from bank borrowings	295,151	1,021,745	744,826	595,350	60,730
Proceed from a shareholder	100,000	–	–	–	–
Repayments of bank borrowings	(83,286)	(207,941)	(759,688)	(284,198)	(403,322)
Interest paid	(4,600)	(18,168)	(30,135)	(21,410)	(9,919)
Repayments of principal portion of lease liabilities	(486)	(830)	(176)	(176)	(133)
Repayments of interest portion of lease liabilities	(9)	(18)	(2)	(2)	(1)
Proceeds from shares issued	152,302	205,599	1,030,001	–	–
Net cash generated from/(used in) financing activities	459,072	1,000,387	984,826	289,564	(352,645)
Net increase/(decrease) in cash and cash equivalents	123,787	275,104	1,481,132	615,956	(197,866)
Cash and cash equivalents at the beginning of the year/period	150,630	274,417	549,521	549,521	2,030,653
Cash and cash equivalents at the end of the year/period, representing cash and bank balances	274,417	549,521	2,030,653	1,165,477	1,832,787

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Epiworld International Co., Ltd. (the "**Company**") is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on March 31, 2011. The registered office address and principal place of business of the Company is located at No. 198-1 Shitou Dong'er Road., Tongxiang High-tech Park, Xiamen Torch Development Zone for High Technology Industries, Xiamen 361101, Fujian, the PRC.

The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the manufacturing and sale of silicon carbide ("SiC") epitaxial wafers under Turnkey service and provision of processing services for SiC epitaxial wafers under Consign service in the PRC.

Mr. Zhao Jianhui (趙建輝) is the largest shareholder of the Company.

Particulars of the Company's subsidiary at the date of this report are as follows:

Name of subsidiary	*Note*	Date and place of incorporation/ establishment	Place of operation	Issued and fully paid capital/registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Epiworld International Material Co., Ltd. ("**Epiworld Material**")* 瀚天天成半導體材料(厦門)有限公司	*1*	May 31, 2024, the PRC	The PRC	Registered capital of RMB50,000,000	100.00%	–	Engaged in production process and sales of silicon carbide (4H-SiC) epitaxial wafers
Apexiv International Pte. Ltd.	*2*	June 10, 2025, Singapore	Singapore	Registered capital of Singapore dollar ("S$") 10,000	100.00%	–	Inactive
Epicenter Sdn. Bhd.	*2*	June 23, 2025, Malaysia	Malaysia	Registered capital of S$10,000,000	–	100.00%	Inactive

(1) The statutory financial statements for the year ended December 31, 2024 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP in the PRC. No statutory financial statements have been prepared for this entity for the nine months ended September 30, 2025.

(2) No audited statutory financial statements were prepared for these entities during the Track Record Period.

(3) The subsidiaries had not issued any debt securities for the year ended December 31, 2024 and for the nine months ended September 30, 2025.

* The English translation of terms or names in Chinese which are marked with "*" is for identification purposes only. In the event of any inconsistency, the Chinese terms or names shall prevail.

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the Underlying Financial Statements in accordance with the basis of preparation set out in Note 2 below and accounting policies set out in Note 4 below which conform with IFRS Accounting Standards.

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared based on accounting policies set out in Note 4 which confirm with IFRS Accounting Standards. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance.

For the purpose of preparing and presenting the Historical Financial Information, all relevant standards, amendments and interpretations that are effective during the years ended December 31, 2022, 2023, 2024 and nine months ended September 30, 2025 (the "**Track Record Period**") have been adopted by the Group consistently throughout the Track Record Period.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 below.

2.2 Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

2.3 Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

3. NEW OR AMENDMENTS TO STANDANDS ISSUED BUT NOT YET EFFECTIVE

The following new or amendments to standards, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards – Volume 11[1]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[1]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[2]
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investors and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after January 1, 2026

2 Effective for annual periods beginning on or after January 1, 2027

3 Effective date to be determined by the IASB

IFRS 18 ***Presentation and Disclosures in Financial Statements***

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the Historical Financial Information, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the consolidated statements of profit or loss and other comprehensive income, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures. The Group is currently evaluating the full impact of IFRS 18 on its financial statement presentation and disclosures. The application of the new standard is not expected to have material impact on the financial performance and financial position of the Group but is expected to affect the disclosures in the future financial statements.

The directors of the Company do not anticipate that the adoption of other new or amendments to standards will have any material impact on the Group's financial performance, financial position and cash flows in future periods.

4. ACCOUNTING POLICIES

4.1 Basis of consolidation

All intra-group transactions, balances and unrealized gains on transactions have been eliminated in full on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiary where necessary to ensure consistency with the policies adopted by the Group.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Revenue and other income

(a) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue is recognized at a point in time when the goods are delivered to the customers.

Contract liabilities represent advanced consideration received from customers.

The determination of whether revenue shall be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. If the Group is responsible for the overall management of the contract, the Group is the principal in the transaction and recognizes revenue in the gross amount of consideration to which it is entitled from the customer. The Group reports the amount received from the customers and the amounts paid to the suppliers related to these transactions on a net basis if the Group is not primarily obligated in a transaction, does not generally bear the inventory risk and does not have the ability to establish the price.

(b) Other income

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI (see Note 4.10 for definition), and is calculated by applying the effective interest rate to the gross carrying amount of the debt instruments when the asset is not credit-impaired. For debt instruments that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

4.4 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs such as repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land	Over the lease term
Buildings	40 years
Machinery	5-10 years
Computer equipment	3-5 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

Construction-in-progress is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

4.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

4.6 Leases

All leases are required to be capitalized in the consolidated statements of financial position/statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalize (i) leases for which the underlying asset is of low-value; and/or (ii) leases which are short-term leases. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Accounting as a lessee

Right-of-use asset

The right-of-use asset is recognized at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses incremental borrowing rate as the discount rate. The Group determines incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the leased asset. After initial recognition, lease liability is measured at amortized cost under the effective interest method and interest expense is recognized as described in Note 4.15. Lease liabilities are presented as a separate line item in the consolidated statements of financial position and statements of financial position.

4.7 Intangible assets and research and development costs

Intangible assets

Intangible assets acquired separately are initially recognized at cost. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

The amortization expense is recognized in profit or loss. The useful lives and amortization method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortization is provided on a straight-line basis over their useful lives as follows:

Computer software . . . . . 3 years

Intangible assets are tested for impairment as described in Note 4.8.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that directly attributable to the development activities are recognized as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibilities of the prospective product internal use or sale;

(ii) sufficient technical, financial and other resources are available for completion;

(iii) there is intention to complete the intangible asset and use or sell it;

(iv) the Group's ability to use or sell the intangible asset is demonstrated;

(v) the intangible asset will generate probable economic benefits through internal use or sale; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Capitalized development costs are amortized over the periods the Group expects to benefit from using or selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are expensed as incurred.

4.8 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment, including right-of-use assets;
- Investments in subsidiaries; and
- Intangible assets.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash generating units ("**CGUs**")). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in profit or loss immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits as well as short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.10 Financial instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(b) Impairment loss on financial assets

The Group recognizes loss allowances for expected credit losses ("**ECL**s") on trade and bills receivables and financial assets measured at amortized cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade and bills receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs individually or collectively using a provision matrix with appropriate groupings. Provision matrix are based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating 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 analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. 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 action such as realizing security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- a breach of contract, such as a default or past due event.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for debt instrument measured at FVOCI, which shall be recognized in other comprehensive income.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(c) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct [**REDACTED**].

Financial liabilities

The Group classifies its financial liabilities at amortized cost or at fair value through profit or loss ("**FVPL**").

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade and bills payables and other payables and accruals are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized as described in Note 4.15.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is held for trading. A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(d) Derivative financial instruments

All derivative financial instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently re-measured at fair value. Derivatives are classified as current assets when the fair value is positive and as current liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recorded in the consolidated statements of profit or loss and other comprehensive income.

4.11 Foreign currency translation

Transactions entered into by the group entities in currencies other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

4.12 Income tax

Income taxes for the period comprise current tax and deferred tax. Income taxes are recognized in profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity in which case the taxes are also recognized in other comprehensive income or when they relate to items recognized directly in equity in which case the taxes are also recognized directly in equity.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. 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 tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4.13 Employee benefits

(a) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government, whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to profit or loss as incurred. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognized in the period when the employees render the related service.

(c) Termination benefits

Termination benefits are recognized on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

4.14 Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.15 Borrowings costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.16 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Other government grants related to assets are initially recognized as deferred revenue if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

4.17 Share-based payments

The Group operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Further details are included in Note 38.

The cost of equity-settled transactions is recognized in employee cost, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the reporting period until the vesting date reflects the extent to which the vesting periods has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that periods.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

4.18 Redemption liabilities

A contract that contains an obligation to purchase the Group's equity instruments for cash or another financial asset gives rise to a financial liability for the redemption amount, even if the Group's obligations to purchase are conditional on the counterparty exercising a right to redeem. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost, with interest expense being included in the finance costs. As the Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period, the amounts are classified as current liabilities.

The carrying amount of the redemption liability will be reclassified to equity upon a termination of the counterparty's redemption right.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgments and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets

The measurement of the ECLs allowance for financial assets measured at amortized cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of debtors defaulting and the resulting losses). A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgments and assumptions used in measuring ECLs is set out in Note 4.10(b) and Note 42(b). Changes to these estimates and assumptions can result in significant changes to the amount of ECLs to be recognized.

Current taxes and deferred taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates temporary difference and tax that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the group entities which have deductible temporary difference and tax losses.

Recognition of equity-settled share-based payments

The Group recognizes share-based payment expense for equity-settled employee awards based on the fair value of the Company's shares at the grant date, adjusted for estimated forfeitures. Most awards are subject to service conditions (e.g., continued employment over a specified period) and performance conditions (e.g., achievement of Group's profit targets and individual performance metrics). Significant judgment is required to estimate the number of awards expected to vest particularly due to subjective factors such as:

– likelihood of meeting profit targets;

– individual performance evaluations; and

– expected staff turnover rates.

At each reporting date, the Group assesses the probability of meeting performance conditions by reviewing internal forecasts, macroeconomic factors, and grantees' performance. Forfeiture assumptions are also updated using historical staff turnover data, though these trends may change over time.

These estimates are inherently uncertain, particularly for awards with longer vesting periods, and changes in assumptions could materially affect the expense to be recognized. Specifically, higher probability of meeting performance conditions and lower staff turnover would result in additional expenses being recognized as more awards are expected to vest and lower probability of meeting performance conditions and higher staff turnover would result in less expenses being recognized as fewer awards are expected to vest.

Impairment assessment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Allowance for obsolete and slow-moving inventories

At the end of the reporting period, management assessed the provision of estimation for obsolete and slow-moving inventories due to a change in products sold and market trends in recent years and the latest experience of selling merchandise of a similar nature. The Group makes provision of allowances for inventories based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of the net realizable value and the slow-moving and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

Fair value measurement of financial liability

At the end of the reporting period, the Group's financial liability is measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgements and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in adjustments to the fair value of the liability. Note 30 and 41 provide detailed information about the valuation technique, inputs and key assumptions used in the determination of the fair value of the liability.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the directors of the Company, being chief operating decision maker, for their decisions about resources allocation to the Group's business components and for their review of these components' performance.

During the Track Record Period, the Group is principally engaged in the manufacturing and sale of SiC epitaxial wafers under Turnkey service and provision of processing services for SiC epitaxial wafers under Consign service in the PRC. Information reported to the directors of the Company for the purpose of resources allocation and performance assessment focuses on the operating results of the business. Therefore, the chief operating decision maker of the Company regards that there is only one operating segment which is used to make strategic decisions. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

(b) Geographical information

The Group is domiciled in the PRC, which is the location of the Group's principal office. All of the Group's revenue from external customers are originated from PRC. These revenues from external customers are further divided into the following geographical areas:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue by region					
Asia – Greater China	167,703	307,249	207,656	161,343	340,026
Asia – Other than Greater China	107,767	437,972	464,773	382,628	115,935
Europe	149,339	323,343	268,943	235,014	64,160
North America	14,083	73,938	32,944	29,265	14,942
Others	1,799	–	–	–	–
Total	440,691	1,142,502	974,316	808,250	535,063

The Group's revenue information above is based on the delivery destinations of the Group's products and services requested by the customers. The geographical location of non-current assets is based on the physical location of the assets. As at December 31, 2022, 2023 and 2024 and September 30, 2025 all of the Group's non-current assets were located in the PRC.

(c) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for each of the years/periods during the Track Record Period, is set out below:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer I	*	*	393,592	317,437	162,966
Customer F	*	*	201,486	168,937	62,749
Customer A	246,589	614,623	104,411	104,411	*
Customer B	94,249	*	*	*	*

* The corresponding revenue is not disclosed as it did not contribute over 10% of the total revenue of the Group during that year/period.

7. REVENUE

Revenue primarily represents the revenue from Turnkey service and Consign service.

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
Turnkey service	277,763	847,679	839,577	679,143	482,338
Consign service	156,569	292,750	121,103	118,100	24,791
Others	6,359	2,073	13,636	11,007	27,934
	440,691	1,142,502	974,316	808,250	535,063

All revenue is recognized at a point in time when the goods are delivered to the customers. All contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied (or partially unsatisfied) performance obligations is not disclosed.

The following table provides information about trade and bills receivable and contract liabilities from contracts with customers.

	As at January 1,	As at December 31,			As at September 30,
	2022	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables *(Note 21)*	40,948	106,796	78,666	129,645	268,964
Contract liabilities *(Note 26)*	846	5,757	3,730	6,795	736

8. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	3,480	12,103	39,950	26,363	48,889
Government grants *(Note)*	13,508	47,350	111,894	95,719	103,035
Fair value loss on derivatives financial instruments	–	–	–	–	(2,140)
Gain/(loss) on disposal of property, plant and equipment	26	3,487	20	20	(5)
Exchange gain/(loss), net	4,433	463	16,482	(14,570)	(17,203)
Others	87	48	56	51	45
	21,534	63,451	168,402	107,583	132,621

Note: These government grants mainly comprised of subsidies received/receivable for subsidizing the Group's business. There was no unfulfilled condition to receive government grants at the end of each reporting period.

9. FINANCE COSTS

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest on bank borrowings	4,600	18,168	30,135	21,410	9,919
Interest on lease liabilities	9	18	2	2	1
Interests associated with redemption liabilities	15,825	14,387	1,334	1,000	344
	20,434	32,573	31,471	22,412	10,264
Less: Finance costs capitalized	(153)	(38)	(1,274)	(817)	(628)
	20,281	32,535	30,197	21,595	9,636

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cost of inventories recognized as expenses	243,865	692,551	640,937	524,060	395,622
Auditors' remuneration	189	2,500	943	–	–
Depreciation of property, plant and equipment	30,592	95,923	144,715	103,186	128,933
Depreciation of right-of-use assets	486	719	276	243	99
Amortization of intangible assets	56	350	743	492	837
Employee costs (including directors' emoluments *(Note 14))*:					
– Salaries and wages	41,631	83,376	71,734	51,472	49,145
– Retirement scheme contributions	3,346	5,684	5,537	3,898	4,058
– Equity-settled share-based payments *(Note(a))*	28,575	256,210	154,249	141,163	124,484
	73,552	345,270	231,520	196,533	177,687
Write-down of inventories to net realizable value	(111)	4,552	1,070	(1,518)	2,360
[**REDACTED**] expenses					
– Hong Kong	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– PRC *(Note)*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Impairment loss/(reversal of impairment loss) on financial assets, net *(Note 42(b))*:					
– Trade and bills receivables	934	(145)	1,193	179	2,104
– Deposits and other receivables	(33)	(4)	60	21	12
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Note: [**REDACTED**] expenses in PRC include expenses related to previous [**REDACTED**] exercise attempt.

Note (a): Equity-settled share-based payments are included in the following items:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cost of sales	–	57,813	3,522	6,845	4,088
Selling and distribution expenses	–	46,219	1,642	4,174	2,248
Administrative and other expenses	28,575	124,253	141,400	121,651	111,437
Research and development costs	–	27,925	7,685	8,493	6,711

11. INCOME TAX CREDIT/(EXPENSE)

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Current year/period – PRC corporate income tax	–	–	(59,766)	(39,399)	(36,541)
Deferred tax *(Note 19)*	24,085	(55,648)	16,652	2,324	13,460
	24,085	(55,648)	(43,114)	(37,075)	(23,081)

The Group is subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC corporate income tax of the group entities is calculated based on the statutory tax rate of 25% during the Track Record Period, except for the Company which is registered as a High and New-Tech Enterprise pursuant to the PRC tax regulations and entitled to a preferential tax rate of 15% for the Track Record Period.

The income tax (credit)/expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Profit before tax	103,458	163,153	208,181	155,488	44,226
Tax calculated at applicable tax rates	15,519	24,473	30,995	23,279	7,483
Tax effect of expenses not deductible for tax purpose	6,665	41,609	22,436	21,503	18,683
Tax incentives for research and development costs	(5,638)	(10,434)	(10,317)	(7,707)	(3,085)
Tax effect of previously unrecognized tax losses now recognized as deferred tax assets	(40,631)	–	–	–	–
Income tax (credit)/expense	(24,085)	55,648	43,114	37,075	23,081

12. DIVIDENDS

No dividend were declared and paid during the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Earnings for the year attributable to ordinary equity shareholders of the Company					
Profit for the year attributable to all equity shareholders of the Company	127,543	107,505	165,067	118,413	21,145

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	'000	*'000*	*'000*	*'000 (Unaudited)*	*'000*
Weighted average number of shares					
Weighted average number of ordinary shares in issue	357,522	374,444	388,236	388,192	404,093
Effect of ordinary shares with redemption rights	(40,860)	(34,828)	(4,768)	(4,768)	(1,554)
Weighted average number of ordinary shares in issue, for the purposes of basic and diluted earnings per share	316,662	339,616	383,468	383,424	402,539

During the Track Record Period, ordinary shares with redemption rights (Note 31) were not included in the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive. Accordingly, diluted earnings per share are the same as the basic earnings per share as the Company had no dilutive potential ordinary shares in existence for the Track Record Period.

The Company converted into a joint stock company with limited liability and issued 360,000,000 shares with the par value of RMB1 each in May 2023. For the purpose of computing basic earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred on 1 January 2023. Please refer to Note 32(c) for details.

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and supervisors' emoluments

Details of directors' and supervisors' remuneration during the Track Record Period are as follows:

	Fees	Salaries, allowances and bonus	Retirement scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2022					
Executive directors					
Mr. Zhao Jianhui (趙建輝)	–	1,314	–	–	1,314
Ms. Pang Menghan (潘夢菡)	–	420	–	–	420
Ms. Bai Liting (白麗婷) *(a)*	–	221	–	28,575	28,796
Mr. Guo Zhiyan (郭志彥) *(a)*	–	–	–	–	–
Mr. Kuang Guangjian (匡光堅) *(b)*	–	–	–	–	–
Mr. Chen Yinfei (陳音飛) *(b)*	–	–	–	–	–
Mr. Li Qinghua (李慶華)	–	–	–	–	–
Mr. Xie Xuejun (謝學軍)	–	–	–	–	–
	–	1,955	–	28,575	30,530
Non-executive director					
Mr. Su Ping (蘇平)	–	–	–	–	–
Supervisors					
Mr. Wu Guoyi (吳國屹) *(d)*	–	–	–	–	–
Mr. Zhang Jie (張捷)	–	–	–	–	–
Ms Zhang Zhilin (張之琳) *(d)*	–	70	3	–	73
	–	70	3	–	73

	Fees	Salaries, allowances and bonus	Retirement scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023					
Executive directors					
Mr. Zhao Jianhui (趙建輝)	–	1,322	–	11,469	12,791
Ms. Pang Menghan (潘夢菡)	–	426	–	–	426
Ms. Bai liting (白麗婷)	–	120	–	–	120
Mr. Guo Zhiyan (郭志彥)	–	–	–	–	–
Mr. Li Qinghua (李慶華) *(c)*	–	–	–	–	–
Mr. Xie Xuejun (謝學軍)	–	–	–	–	–
	–	1,868	–	11,469	13,337
Independent non-executive directors					
Mr. Li Guoan (李國安) *(e)*	67	–	–	–	67
Dr. Kang Junyong (康俊勇) *(e)*	67	–	–	–	67
Dr. Su Xinlong (蘇新龍) *(e)*	67	–	–	–	67
	201	–	–	–	201
Non-executive director					
Mr. Su Ping (蘇平)	–	–	–	–	–
Supervisors					
Mr. Wu Guoyi (吳國屹)	–	–	–	–	–
Mr. Zhang Jie (張捷) *(f)*	–	–	–	–	–
Ms. Zhang Zhilin (張之琳) *(d)(f)*	–	109	7	–	116
Mr. Qian Weining (錢衛寧) *(g)*	–	399	20	2,969	3,388
Mr. Li Kaixi (李凱希) *(g)*	–	317	19	2,227	2,563
	–	825	46	5,196	6,067

	Fees	Salaries, allowances and bonus	Retirement scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024					
Executive directors					
Mr. Zhao Jianhui (趙建輝)	–	1,322	–	21,747	23,069
Ms. Pang Menghan (潘夢菡)	–	406	–	–	406
Ms. Bai liting (白麗婷)	–	120	–	–	120
Mr. Guo Zhiyan (郭志彥)	–	–	–	–	–
Mr. Xie Xuejun (謝學軍)	–	–	–	–	–
	–	1,848	–	21,747	23,595
Independent non-executive directors					
Mr. Li Guoan (李國安)	100	–	–	–	100
Dr. Kang Junyong (康俊勇)	100	–	–	–	100
Dr. Su Xinlong (蘇新龍)	100	–	–	–	100
	300	–	–	–	300
Non-executive director					
Mr. Su Ping (蘇平)	–	–	–	–	–
Supervisors					
Mr. Wu Guoyi (吳國屹)	–	–	–	–	–
Mr. Qian Weining (錢衛寧)	–	381	21	4,663	5,065
Mr. Li Kaixi (李凱希)	–	296	21	3,417	3,734
	–	677	42	8,080	8,799

	Fees	Salaries, allowances and bonus	Retirement scheme contributions	Equity-settled share-based payments	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Nine months ended September 30, 2024					
Executive directors					
Mr. Zhao Jianhui (趙建輝)	–	985	–	16,310	17,295
Ms. Pang Menghan (潘夢菡)	–	366	–	–	366
Ms. Bai liting (白麗婷)	–	90	–	–	90
Mr. Guo Zhiyan (郭志彥)	–	–	–	–	–
Mr. Xie Xuejun (謝學軍)	–	–	–	–	–
	–	1,441	–	16,310	17,751
Independent non-executive directors					
Mr. Li Guoan (李國安)	75	–	–	–	75
Dr. Kang Junyong (康俊勇)	75	–	–	–	75
Dr. Su Xinlong (蘇新龍)	75	–	–	–	75
	225	–	–	–	225
Non-executive director					
Mr. Su Ping (蘇平)	–	–	–	–	–
Supervisors					
Mr. Wu Guoyi (吳國屹)	–	–	–	–	–
Mr. Qian Weining (錢衛寧)	–	267	14	3,748	4,029
Mr. Li Kaixi (李凱希)	–	212	14	2,771	2,997
	–	479	28	6,519	7,026

	Fees	Salaries, allowances and bonus	Retirement scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended September 30, 2025					
Executive directors					
Mr. Zhao Jianhui (趙建輝)	–	900	–	16,310	17,210
Ms. Pang Menghan (潘夢菡)	–	290	–	–	290
Ms. Bai liting (白麗婷)	–	90	–	–	90
Mr. Guo Zhiyan (郭志彥) *(h)*	–	–	–	–	–
Mr. Xie Xuejun (謝學軍) *(h)*	–	–	–	–	–
	–	1,280	–	16,310	17,590
Independent non-executive directors					
Mr. Li Guoan (李國安) *(i)*	20	–	–	–	20
Dr. Kang Junyong (康俊勇)	75	–	–	–	75
Dr. Su Xinlong (蘇新龍)	75	–	–	–	75
Dr. Liao Yi (廖逸) *(j)*	50	–	–	–	50
	220	–	–	–	220
Non-executive directors					
Mr. Su Ping (蘇平)	–	–	–	–	–
Mr. Fang Wei (方偉) *(k)*	–	–	–	–	–
Ms. Xie Jieping (謝潔平) *(k)*	–	–	–	–	–
	–	–	–	–	–
Supervisors					
Mr. Wu Guoyi (吳國屹)	–	–	–	–	–
Mr. Qian Weining (錢衛寧)	–	270	17	3,748	4,035
Mr. Li Kaixi (李凱希)	–	209	17	2,771	2,997
	–	479	34	6,519	7,032

Notes:

(a) Ms. Bai and Mr. Guo were appointed as executive directors in July 2022.

(b) Mr. Kuang and Mr. Chen resigned as executive directors in July 2022.

(c) Mr. Li resigned as executive director in May 2023.

(d) Mr. Wu and Ms. Zhang were appointed as supervisors in October 2022.

(e) Mr. Li, Dr. Kang and Dr. Su were appointed as independent non-executive directors in May 2023.

(f) Mr. Zhang and Ms. Zhang resigned as supervisors in May 2023.

(g) Mr. Qian and Mr. Li were appointed as supervisors in May 2023.

(h) Mr. Guo and Mr. Xie resigned as executive directors in March 2025.

(i) Mr. Li resigned as independent non-executive director in March 2025.

(j) Dr. Liao was appointed as independent non-executive director in March 2025.

(k) Mr. Fang and Ms. Xie were appointed as non-executive directors in March 2025.

(l) No emoluments were paid by the Group to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss or termination of their office during the Track Record Period.

(m) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company. The non-executive directors' and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, included three, three, three, three, three directors and supervisors of the Company for each of the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025 respectively, whose emoluments are disclosed above. The emoluments of the remaining two, two, two, two and two individuals for each of the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025 respectively, whose emoluments are analyzed below:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Salaries	2,030	1,933	1,724	1,155	2,004
Allowance and other benefits	–	–	–	–	–
Discretionary bonuses	–	–	–	–	–
Retirement scheme contributions	71	73	77	51	51
Equity-settled share-based payments	–	60,008	102,494	79,793	79,793
	2,101	62,014	104,295	80,999	81,848

The number of the highest paid individuals other than directors and supervisors fell within the following emolument bands:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals (Unaudited)*	*No. of individuals*
Nil to HKD1,000,000	1	–	–	–	–
HKD1,000,001 to HKD1,500,000	1	–	–	–	–
HKD9,000,001 to HKD9,500,000	–	1	–	–	–
HKD10,000,001 to HKD10,500,000	–	–	–	–	1
HKD10,500,001 to HKD11,000,000	–	–	–	1	–
HKD15,000,001 to HKD15,500,000	–	–	1	–	–
HKD15,500,001 to HKD16,000,000	–	–	1		
HKD59,500,001 to HKD60,000,000	–	1	–	–	–
HKD70,500,001 to HKD71,000,000	–	–	–	1	1

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals (Unaudited)*	*No. of individuals*
HKD99,000,001 to HKD99,500,000	–	–	1	–	–
HKD103,500,001 to HKD104,000,000	–	–	1		
	2	2	2	2	2

During the Track Record Period, no emoluments were paid by the Group to any director or supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director or supervisor waived or agreed to waive any emolument during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land	Buildings	Machinery	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction -in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At January 1, 2022	12,525	68,510	165,236	1,809	3,361	–	149,215	400,656
Additions	26,883	–	–	–	–	–	548,627	575,510
Transferred upon completion	–	81,602	318,168	3,480	4,900	–	(408,150)	–
Disposals/written off	–	–	(1,118)	–	(342)	–	–	(1,460)
At December 31, 2022 and January 1, 2023	39,408	150,112	482,286	5,289	7,919	–	289,692	974,706
Additions	–	–	–	–	–	–	1,261,841	1,261,841
Transferred upon completion	–	179,735	769,233	3,014	7,924	352	(960,258)	–
Disposals/written off	–	–	(38,316)	(5)	(732)	–	–	(39,053)
At December 31, 2023 and January 1, 2024	39,408	329,847	1,213,203	8,298	15,111	352	591,275	2,197,494
Additions	–	–	–	–	17	–	156,704	156,721
Transferred upon completion	–	1,185	182,258	1,121	929	–	(185,493)	–
Disposals/written off	–	(1,669)	–	–	(16)	–	–	(1,685)
At December 31, 2024 and January 1, 2025	39,408	329,363	1,395,461	9,419	16,041	352	562,486	2,352,530
Additions	32	–	–	6	5	–	24,374	24,417
Transferred upon completion	–	153,914	305,385	1,435	298	–	(461,032)	–
Disposals/written off	–	–	–	(200)	–	–	–	(200)
At September 30, 2025	39,440	483,277	1,700,846	10,660	16,344	352	125,828	2,376,747
Accumulated depreciation and impairment:								
At January 1, 2022	1,294	5,939	61,968	676	1,505	–	–	71,382
Charge for the year	473	4,906	23,758	573	882	–	–	30,592
Disposals/written off	–	–	(754)	–	(332)	–	–	(1,086)
At December 31, 2022 and January 1, 2023	1,767	10,845	84,972	1,249	2,055	–	–	100,888
Charge for the year	788	10,230	81,835	1,050	1,970	50	–	95,923
Disposals/written off	–	–	(35,869)	(4)	(675)	–	–	(36,548)
At December 31, 2023 and January 1, 2024	2,555	21,075	130,938	2,295	3,350	50	–	160,263

	Leasehold land	Buildings	Machinery	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction -in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Charge for the year	788	18,062	121,448	1,510	2,840	67	–	144,715
Disposals/written off	–	–	–	–	(14)	–	–	(14)
At December 31, 2024 and January 1, 2025	3,343	39,137	252,386	3,805	6,176	117	–	304,964
Charge for the period	623	16,865	108,038	1,197	2,160	50	–	128,933
Disposals/written off	–	–	–	(160)	–	–	–	(160)
At September 30, 2025	3,966	56,002	360,424	4,842	8,336	167	–	433,737
Net carrying amount:								
At December 31, 2022	37,641	139,267	397,314	4,040	5,864	–	289,692	873,818
At December 31, 2023	36,853	308,772	1,082,265	6,003	11,761	302	591,275	2,037,231
At December 31, 2024	36,065	290,226	1,143,075	5,614	9,865	235	562,486	2,047,566
At September 30, 2025	35,474	427,275	1,340,422	5,818	8,008	185	125,828	1,943,010

The Company

	Leasehold land	Buildings	Machinery	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction -in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At January 1, 2022	12,525	68,510	165,236	1,809	3,361	–	149,215	400,656
Additions	26,883	–	–	–	–	–	548,627	575,510
Transferred upon completion	–	81,602	318,168	3,480	4,900	–	(408,150)	–
Disposals/written off	–	–	(1,118)	–	(342)	–	–	(1,460)
At December 31, 2022 and January 1, 2023	39,408	150,112	482,286	5,289	7,919	–	289,692	974,706
Additions	–	–	–	–	–	–	1,261,841	1,261,841
Transferred upon completion	–	179,735	769,233	3,014	7,924	352	(960,258)	–
Disposals/written off	–	–	(38,316)	(5)	(732)	–	–	(39,053)
At December 31, 2023 and January 1, 2024	39,408	329,847	1,213,203	8,298	15,111	352	591,275	2,197,494
Additions	–	–	–	–	–	–	156,704	156,704
Transferred upon completion	–	1,185	182,258	1,121	929	–	(185,493)	–
Disposals/written off	–	(1,669)	(245,738)	(594)	(1,454)	–	–	(249,455)
At December 31, 2024 and January 1, 2025	39,408	329,363	1,149,723	8,825	14,586	352	562,486	2,104,743
Additions	32	–	–	–	–	–	24,274	24,306
Transferred upon completion	–	153,914	305,385	1,435	298	–	(461,032)	–
Disposals/written off	–	–	–	(158)	–	–	–	(158)
At September 30, 2025	39,440	483,277	1,455,108	10,102	14,884	352	125,728	2,128,891
Accumulated depreciation and impairment:								
At January 1, 2022	1,294	5,939	61,968	676	1,505	–	–	71,382
Charge for the year	473	4,906	23,758	573	882	–	–	30,592
Disposals/written off	–	–	(754)	–	(332)	–	–	(1,086)
At December 31, 2022 and January 1, 2023	1,767	10,845	84,972	1,249	2,055	–	–	100,888

	Leasehold land	Buildings	Machinery	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction -in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Charge for the year	788	10,230	81,835	1,050	1,970	50	–	95,923
Disposals/written off	–	–	(35,869)	(4)	(675)	–	–	(36,548)
At December 31, 2023 and January 1, 2024	2,555	21,075	130,938	2,295	3,350	50	–	160,263
Charge for the year	788	18,062	111,739	1,465	2,731	67	–	134,852
Disposals/written off	–	–	(27,121)	(212)	(470)	–	–	(27,803)
At December 31, 2024 and January 1, 2025	3,343	39,137	215,556	3,548	5,611	117	–	267,312
Charge for the period	623	16,865	90,541	1,120	1,966	50	–	111,165
Disposals/written off	–	–	–	(147)	–	–	–	(147)
At September 30, 2025	3,966	56,002	306,097	4,521	7,577	167	–	378,330
Net carrying amount:								
At December 31, 2022	37,641	139,267	397,314	4,040	5,864	–	289,692	873,818
At December 31, 2023	36,853	308,772	1,082,265	6,003	11,761	302	591,275	2,037,231
At December 31, 2024	36,065	290,226	934,167	5,277	8,975	235	562,486	1,837,431
At September 30, 2025	35,474	427,275	1,149,011	5,581	7,307	185	125,728	1,750,561

16. RIGHT-OF-USE ASSETS

The Group

The analysis of the net book value of right-of-use assets by class of underlying assets as at the end of each reporting period is as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff quarters and warehouse	343	371	77	110

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Additions to right-of-use assets	412	795	133	133	132
Depreciation charge of right-of-use assets by class of underlying assets:					
– Staff quarters and warehouse	486	719	276	243	99

The Company

The analysis of the net book value of right-of-use assets by class of underlying assets as at the end of each reporting period is as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff quarters	343	371	–	–

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Additions to right-of-use assets	412	795	–	–	–
Depreciation charge of right-of-use assets by class of underlying assets:					
– Staff quarters	486	719	221	221	–

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	–	–	50,000	50,000

The particulars of the directly and indirectly held subsidiaries of the Company are set out in Note 1.

18. INTANGIBLE ASSETS

The Group and the Company

	Computer software
	RMB'000
Cost:	
At January 1, 2022, December 31, 2022, and January 1, 2023	256
Additions	1,192
At December 31, 2023 and January 1, 2024	1,448
Additions	1,900
At December 31, 2024 and January 1, 2025	3,348
Additions	580
At September 30, 2025	3,928

	Computer software
	RMB'000
Accumulated amortization:	
At January 1, 2022	124
Charge for the year	56
At December 31, 2022 and January 1, 2023	180
Charge for the year	350
At December 31, 2023 and January 1, 2024	530
Charge for the year	743
At December 31, 2024 and January 1, 2025	1,273
Charge for the period	837
At September 30, 2025	2,110
Net carrying value:	
At December 31, 2022	76
At December 31, 2023	918
At December 31, 2024	2,075
At September 30, 2025	1,818

19. DEFERRED TAX

Deferred tax recognized and movements during the Track Record Period are as follows:

The Group

	Impairment losses on financial assets	Unused tax loss	Inventories	Fair value on derivative	Property, plant and equipment and right-of-use assets	Government grants received not yet recognized as income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	–	–	–	–	–	–	–
Credited to profit or loss	211	54,995	87	–	(46,243)	15,035	24,085
At December 31, 2022 and January 1, 2023	211	54,995	87	–	(46,243)	15,035	24,085
Credited/(charged) to profit or loss	(22)	(45,345)	683	–	(26,764)	15,800	(55,648)
At December 31, 2023 and January 1, 2024	189	9,650	770	–	(73,007)	30,835	(31,563)
Credited/(charged) to profit or loss	251	(9,428)	178	–	17,371	8,280	16,652
At December 31, 2024 January 1, 2025	440	222	948	–	(55,636)	39,115	(14,911)
Credited/(charged) to profit or loss	553	(222)	1,299	488	3,652	7,690	13,460
At September 30, 2025	993	–	2,247	488	(51,984)	46,805	(1,451)

The following is the analysis of the deferred tax balances for the financial reporting purposes:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	24,085	–	49	2,206
Deferred tax liabilities	–	(31,563)	(14,960)	(3,657)
	24,085	(31,563)	(14,911)	(1,451)

Deferred income tax assets are recognized for deductible temporary differences and unused tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable. The Group has tax losses arising in China that will expire in five or ten years for offsetting against future taxable profits.

The amounts and expiration dates of the tax losses carried forward as at December 31, 2022, 2023, 2024 and September 30, 2025 are listed below:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2027	13,707	–	–	–
2028	17,278	–	–	–
2029	–	–	889	–
2030	41,392	–	–	–
2031	2,736	–	–	–
2032	291,518	64,331	–	–
	366,631	64,331	889	–

As at December 31, 2022, 2023, 2024 and as at September 30, 2025, the Group had cumulative tax losses amounting RMB366,631,000, RMB64,331,000, RMB889,000 and Nil that can be carried forward against future taxable income.

The Company

	Impairment losses on financial assets	Unused tax loss	Inventories	Fair value on derivative	Property, plant and equipment and right-of-use assets	Government grants received not yet recognized as income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	–	–	–	–	–	–	–
Credited to profit or loss	211	54,995	87	–	(46,243)	15,035	24,085
At December 31, 2022 and January 1, 2023	211	54,995	87	–	(46,243)	15,035	24,085
Credited/(charged) to profit or loss	(22)	(45,345)	683	–	(26,764)	15,800	(55,648)
At December 31, 2023 and January 1, 2024	189	9,650	770	–	(73,007)	30,835	(31,563)
Credited/(charged) to profit or loss	464	(9,650)	136	–	17,373	8,280	16,603
At December 31, 2024 January 1, 2025	653	–	906	–	(55,634)	39,115	(14,960)
Credited/(charged) to profit or loss	(119)	–	(15)	70	3,661	7,690	11,287
At September 30, 2025	534	–	891	70	(51,973)	46,805	(3,673)

The following is the analysis of the deferred tax balances for the financial reporting purposes:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	24,085	–	–	–
Deferred tax liabilities	–	(31,563)	(14,960)	(3,673)
	24,085	(31,563)	(14,960)	(3,673)

Deferred income tax assets are recognized for deductible temporary differences and unused tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable. The Company has tax losses arising in China that will expire in ten years for offsetting against future taxable profits.

The amounts and expiration dates of the tax losses carried forward as at December 31, 2022, 2023 and 2024 and as at September 30, 2025 are listed below:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2027	13,707	–	–	–
2028	17,278	–	–	–
2029	–	–	–	–
2030	41,392	–	–	–
2031	2,736	–	–	–
2032	291,518	64,331	–	–
	366,631	64,331	–	–

As at December 31, 2022 and 2023, the Company had cumulative tax losses amounting RMB366,631,000 and RMB64,331,000 that can be carried forward against future taxable income.

20. INVENTORIES

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	61,601	258,868	196,416	202,902
Finished goods	23,932	96,517	46,255	61,342
Work in progress	6,449	831	11,169	15,261
	91,982	356,216	253,840	279,505
Write-down of inventories to net realizable value	(578)	(5,130)	(6,200)	(8,560)
	91,404	351,086	247,640	270,945

Movements on the write-down of inventories to net realizable value are as follows:

	Year ended December 31,			Nine months ended September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1	(689)	(578)	(5,130)	(6,200)
Reversal/(charge) for the year/period	111	(4,552)	(1,070)	(2,360)
At December 31/September 30	(578)	(5,130)	(6,200)	(8,560)

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	61,601	258,868	182,413	167,158
Finished goods	23,932	96,517	43,192	35,225
Work in progress	6,449	831	9,964	7,179
	91,982	356,216	235,569	209,562
Write-down of inventories to net realizable value	(578)	(5,130)	(6,035)	(5,934)
	91,404	351,086	229,534	203,628

Movements on the write-down of inventories to net realizable value are as follows:

	Year ended December 31,			Nine months ended September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1	(689)	(578)	(5,130)	(6,035)
Reversal/(charge) for the year/period	111	(4,552)	(905)	101
At December 31/September 30	(578)	(5,130)	(6,035)	(5,934)

21. TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	106,342	76,868	130,135	273,206
Bills receivable	1,801	3,000	1,905	257
	108,143	79,868	132,040	273,463
Less: impairment loss allowance	(1,347)	(1,202)	(2,395)	(4,499)
	106,796	78,666	129,645	268,964

An aging analysis of trade and bills receivables, net of impairment losses, as at the end of each reporting period, based on the invoice dates, is as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Within 3 months	104,654	77,461	123,752	249,558
3 months to 6 months	949	634	1,151	17,327
6 months to 1 year	–	17	4,635	2,079
1 year to 2 years	1,193	148	14	–
2 years to 3 years	–	406	93	–
	106,796	78,666	129,645	268,964

The Group recognized impairment loss based on the accounting policy stated in Note 4.10(b). Trade and bills receivables are generally due within 30 to 90 days from the date of billing.

Further details on the Group's credit policy and credit risk analysis arising from trade and bills receivables are set out in Note 42(b).

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	106,342	76,868	65,413	68,691
Bills receivable	1,801	3,000	902	257
	108,143	79,868	66,315	68,948
Less: impairment loss allowance	(1,347)	(1,202)	(1,747)	(1,530)
	106,796	78,666	64,568	67,418

An aging analysis of trade and bills receivables, net of impairment losses, as at the end of each reporting period, based on the invoice dates, is as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Within 3 months	104,654	77,461	58,675	62,505
3 months to 6 months	949	634	1,151	4,857
6 months to 1 year	–	17	4,635	56
1 year to 2 years	1,193	148	14	–
2 years to 3 years	–	406	93	–
	106,796	78,666	64,568	67,418

The Company recognized impairment loss based on the accounting policy stated in Note 4.10(b). Trade and bills receivables are generally due within 30 to 90 days from the date of billing.

Further details on the Company's credit policy and credit risk analysis arising from trade and bills receivables are set out in Note 42(b).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Deposits and other receivables	1,214	1,131	2,347	10,961
Prepayments	14,374	6,287	5,238	4,075
Prepaid [**REDACTED**] expenses and deferred issue costs				
– Hong Kong	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– PRC	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Less: Impairment loss allowance	(61)	(57)	(117)	(129)
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Deposits and other receivables	1,214	1,131	2,227	10,838
Prepayments	14,374	6,287	5,238	4,074
Prepaid [**REDACTED**] expenses and deferred issue costs				
– Hong Kong	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
– PRC	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Less: Impairment loss allowance	(61)	(57)	(111)	(115)
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

The Group and the Company recognized impairment loss based on the accounting policy stated in Note 4.10(b). Further details on the Group and the Company's credit risk analysis arising from deposits and other receivables are set out in Note 42(b).

23. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	274,417	549,521	2,030,653	1,832,787
Current portion				
Term deposits	500	20,622	–	–
Non-current portion				
Term deposits	20,122	–	–	–

The Group's cash and cash equivalents comprise cash on hand, bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate. Term deposits with original maturity over three months comprise bank deposits carrying interest at fixed rate or floating rates at prevailing market interest rate. The directors of the Company consider that the carrying value of the deposits at the end of each reporting period approximates to their fair values.

As at the end of each reporting period, all of the Group's cash at banks and on hands and term deposits with original maturity over three months are denominated in RMB and USD and placed in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	274,417	549,521	2,022,075	1,705,055
Current portion				
Term deposits	500	20,622	–	–
Non-current portion				
Term deposits	20,122	–	–	–

The Company's cash and cash equivalents comprise cash on hand, bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate. Term deposits with original maturity over three months comprise bank deposits carrying interest at fixed rate or floating rates at prevailing market interest rate. The directors of the Company consider that the carrying value of the deposits at the end of each reporting period approximates to their fair values.

As at the end of each reporting period, all of the Company's cash at banks and on hands and term deposits with original maturity over three months are denominated in RMB and USD and placed in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	47,962	32,912	46,781	147,859
Bills payable	6,901	–	25,102	7,105
	54,863	32,912	71,883	154,964

A credit period is 30 days to 90 days, if applicable, from the date of billing is generally granted by the Group's trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group's trade and bills payables as at the end of each reporting period is as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	54,626	32,670	71,538	154,072
1-2 years	–	5	104	548
Over 2 years	237	237	241	344
	54,863	32,912	71,883	154,964

The Group's trade and bills payables are short-term in nature and hence, the carrying amount of trade and bills payables are considered to approximate to their fair value.

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	47,962	32,912	11,768	23,583
Bills payable	6,901	–	25,102	7,105
	54,863	32,912	36,870	30,688

A credit period is 30 days to 90 days, if applicable, from the date of billing is generally granted by the Company's trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Company's trade and bills payables as at the end of each reporting period is as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	54,626	32,670	36,525	29,811
1-2 years	–	5	104	533
Over 2 years	237	237	241	344
	54,863	32,912	36,870	30,688

The Company's trade and bills payables are short-term in nature and hence, the carrying amount of trade and bills payables are considered to approximate to their fair value.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to shareholder *(note a)*	100,000	–	–	–
Other payables	769	1,135	1,057	3,032
Construction payables	72,676	177,155	130,159	92,137
Other tax payables	1,289	2,177	2,458	7,759
Accruals	7,343	11,264	11,415	6,561
	182,077	191,731	145,089	109,489

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, other payables and accruals were non-interest bearing, unsecured and repayable on demand.

Note:

(a) It is of a non-trade nature. It represented the cash proceeds received from a new shareholder as at December 31, 2022, due to the incomplete registration of new shares. The balance was recognized as share capital and capital reserve in 2023 upon the completion of the registration of new shares.

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to shareholder *(note a)*	100,000	–	–	–
Other payables	769	1,135	1,034	2,795
Construction payables	72,676	177,155	130,143	91,940
Other tax payables	1,289	2,177	2,296	7,604
Accruals	7,343	11,264	9,446	5,282
	182,077	191,731	142,919	107,621

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, other payables and accruals were non-interest bearing, unsecured and repayable on demand.

Note:

(a) It is of a non-trade nature. It represented the cash proceeds received from a new shareholder as at December 31, 2022, due to the incomplete registration of new shares. The balance was recognized as share capital and capital reserve in 2023 upon the completion of the registration of new shares.

26. CONTRACT LIABILITIES

(a) Contract liabilities

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from				
Turnkey service	5,757	3,730	6,795	736

The contract liabilities represented the advance consideration received from customers. The Group receives payment from customers based on billing schedule as established in contracts.

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period	845	5,757	3,730	3,730	6,795

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from				
Turnkey service	5,757	3,730	6,371	23

The contract liabilities represented the advance consideration received from customers. The Company receives payment from customers based on billing schedule as established in contracts.

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period	845	5,757	3,730	3,730	6,371

27. LEASE LIABILITIES

The Group

The Group lease properties to operate its business. These leases are typically made for fixed terms of 2 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Group also lease properties with term of less than one year. These leases are short-term and the Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

The Group's present value of future lease payments of the leases is analyzed as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	344	261	67	66

The Group's movement of the lease liabilities is analyzed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	554	344	261	261	67
Addition of new leases	412	795	133	133	132
Lease payment	(495)	(848)	(178)	(178)	(134)
Interest element of lease payments	9	18	2	2	1
Termination of lease	(136)	(48)	(151)	(151)	–
At the end of the year/period	344	261	67	67	66

The Group had total financing cash outflows for leases of RMB495,000, RMB848,000, RMB178,000, RMB178,000 and RMB134,000 for the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 and 2025, respectively.

The Group's future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Future lease payments	Future interest expenses	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2022			
– within 1 year	350	(6)	344
As at December 31, 2023			
– within 1 year	263	(2)	261
As at December 31, 2024			
– within 1 year	67	–	67
As at September 30, 2025			
– within 1 year	66	–	66

The Company

The Company lease properties to operate its business. These leases are typically made for fixed terms of 2 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Company also lease properties with term of less than one year. These leases are short-term and the Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

The Company's present value of future lease payments of the leases is analyzed as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	344	261	–	–

The Company's movement of the lease liabilities is analyzed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	554	344	261	261	–
Addition of new leases	412	795	–	–	–
Lease payment	(495)	(848)	(112)	(112)	–
Interest element of lease payments	9	18	2	2	–
Termination of lease	(136)	(48)	(151)	(151)	–
At the end of the year/period	344	261	–	–	–

The Company had total financing cash outflows for leases of RMB495,000, RMB848,000, RMB112,000, RMB112,000 and nil for the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 and 2025, respectively.

The Company's future lease payments of the Company's leases (excluding short-term leases) were scheduled to repay as follows:

	Future lease payments	Future interest expenses	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2022			
– within 1 year	350	(6)	344
As at December 31, 2023			
– within 1 year	263	(2)	261
As at December 31, 2024			
– within 1 year	–	–	–
As at September 30, 2025			
– within 1 year	–	–	–

28. BORROWINGS

The Group

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Borrowings – unsecured	118,031	245,376	247,500	34,721
Borrowings – secured	24,374	69,805	56,036	30,304
	142,405	315,181	303,536	65,025
Non-current portion				
Borrowings – unsecured	142,901	252,955	309,408	230,147
Borrowings – secured	27,882	558,856	499,186	474,366
	170,783	811,811	808,594	704,513
	313,188	1,126,992	1,112,130	769,538

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, the borrowings bear interest rates ranging from 2.34% to 4%, the effective interest rates ranging from 1.42% to 2.9%. None of the borrowings contains a repayment-on-demand clause. The Group has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank borrowings balances as non-current. The borrowings were pledged by property, plant and equipment of RMB91,836,000, RMB675,199,000, RMB579,099,000 and RMB545,908,000 as at 31 December 2022, 2023, 2024 and September 30, 2025, respectively, and by bills receivable of RMBnil, RMB3,000,000, RMBnil and RMB257,000 as at 31 December 2022, 2023 and 2024 and as at September 30, 2025, respectively.

The Company

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Borrowings – unsecured	118,031	245,376	211,512	34,721
Borrowings – secured	24,374	69,805	56,036	30,304
	142,405	315,181	267,548	65,025
Non-current portion				
Borrowings – unsecured	142,901	252,955	309,408	230,147
Borrowings – secured	27,882	558,856	499,186	474,366
	170,783	811,811	808,594	704,513
	313,188	1,126,992	1,076,142	769,538

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, the borrowings bear interest rates ranging from 2.34% to 4%, the effective interest rates ranging from 1.42% to 2.89%. None of the borrowings contains a repayment-on-demand clause. The Company has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank borrowings balances as non-current. The borrowings were pledged by property, plant and equipment of RMB91,836,000, RMB675,199,000, RMB548,210,000 and RMB517,620,000 as at 31 December 2022, 2023, 2024 and as at September 30, 2025, respectively, and by bills receivable of RMBnil, RMB3,000,000, RMBnil and RMB257,000 as at 31 December 2022, 2023 and 2024 and as at September 30, 2025, respectively.

29. DEFERRED REVENUE

The Group and the Company

	Year ended December 31,			Nine months ended September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	60,816	100,230	205,569	260,764
Additions	52,922	152,689	167,089	154,300
Credited to profit or loss *(note 8)*	(13,508)	(47,350)	(111,894)	(103,035)
At the end of the year/period	100,230	205,569	260,764	312,029

Deferred revenue consists of deferred government grants mainly for construction of certain property, plant and equipment. The grants from local government were conditional and the conditions would be fulfilled upon the completion of construction of certain property, plant and equipment of the Group. The grants will be recognized as income in profit or loss on a systematic basis over the estimated useful lives of the property, plant and equipment.

30. DERIVATIVES FINANCIAL INSTRUMENTS

The Group

The Group recognises all derivative financial instruments on the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of profit or loss and other comprehensive income in the years/periods of the change. The Group's derivative financial instrument includes forward foreign exchange contracts.

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, the Group's derivative financial instruments mature within one year. The fair values of derivative financial instruments included in the consolidated statements of financial position as current liabilities are as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Forward foreign exchange contracts				
– within 1 year	–	–	–	2,140

31. REDEMPTION LIABILITIES

The Group and the Company

The movements of the redemption liabilities during the Track Record Period are set out as below:

	Redemption liabilities
	RMB'000
At January 1, 2022	197,812
Interest expenses associated with redemption liabilities	15,825
At December 31, 2022 and at January 1, 2023	213,637
Derecognition due to termination of redemption rights	(211,351)
Interest expenses associated with redemption liabilities	14,387
At December 31, 2023 and at January 1, 2024	16,673
Interest expenses associated with redemption liabilities	1,334
At December 31, 2024 and at January 1, 2025	18,007
Interest expenses associated with redemption liabilities	344
Derecognition due to termination of redemption rights	(18,351)
At September 30, 2025	–

Prior to the Track Record Period, the Company entered into respective shareholders' and share subscription agreements (collectively, the "[**REDACTED**] Investors Agreements) with various [**REDACTED**] investors (collectively, the "[**REDACTED**] Investors") and issued ordinary shares. Pursuant to the [**REDACTED**] Investors Agreements, the [**REDACTED**] Investors were granted by the Company with redemption rights.

The redemption rights that existed during the Track Record Period are limited to instances where the Company and its original shareholder maliciously breach the clause in the [**REDACTED**] Investors Agreements and fail to rectify the breach in a timely manner. If such breaches occurred and remained unrectified, the [**REDACTED**] Investors were entitled to exercise the right to put back the ordinary shares they had acquired from the Company. The Company has confirmed that there have been no breaches of the [**REDACTED**] Investors Agreements during the Track Record Period, and all but one redemption rights were formally terminated pursuant to supplemental agreements executed in October 2023 and the remaining one redemption rights was formally terminated pursuant to supplemental agreement executed in April 2025.

The redemption amount is the sum of 100% of the issue price, compound interest of eight percent per annum calculated on a 365-day per year basis from the date of the [**REDACTED**] Investors Agreements.

32. SHARE CAPITAL

The Company

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
Issued		*RMB'000*
At January 1, 2022	210,727,295	210,727
Shares issued *(a)*	4,117,451	4,118
At December 31, 2022 and at January 1, 2023	214,844,746	214,845
Shares issued *(b)*	3,672,863	3,672
Issue of RSUs *(Note 38)*	25,598,888	25,599
Capitalization issue *(c)*	144,075,632	144,076
At December 31, 2023 and at January 1, 2024	388,192,129	388,192
Shares issued *(d)*	15,900,631	15,901
At December 31, 2024, January 1, 2025 and at September 30, 2025	404,092,760	404,093

Notes:

(a) During the year ended December 31, 2022, the Company entered into various capital injection agreements with the following investors and pursuant to which a total capital of RMB252,302,000 was injected into the Company with RMB4,118,000 and RMB248,184,000 credited to the Company's share capital and capital reserve, respectively.

(i) In March 2022, Xiamen Qingda Runyu Venture Capital Partnership (Limited Partnership) (廈門市清大潤玉創業投資合夥企業(有限合夥)), the Company and the largest shareholder of the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB769,000 at a cash consideration of RMB50,001,000, in which the excess amount of RMB49,232,000 was credited to the capital reserve.

(ii) In December 2021, Liaoning Haitong New Kinetic Energy Equity Investment Fund Partnership (Limited Partnership) (遼寧海通新動能股權投資基金合夥企業(有限合夥)), Shanghai Zhezhong Group Co., Ltd. (上海柘中集團股份有限公司), the Company and the largest shareholder of the Company entered into a capital injection agreement pursuant to which the investors subscribed

for the Company's new share capital of RMB1,132,000 and RMB755,000, respectively, at cash consideration of RMB60,000,000 and RMB40,000,000, respectively, in which the excess amounts of RMB58,868,000 and RMB39,245,000, respectively, were credited to the capital reserve. The shares were issued in 2022.

(iii) In November 2022, Xiamen Qingda Xinsheng Venture CapitalPartnership (Limited Partnership) (廈門市清大芯盛創業投資合夥企業(有限合夥)), Huzhou Runxu Equity Investment Partnership (Limited Partnership) (湖州潤煦股權投資合夥企業(有限合夥)), Ningbo Fuwurong Wuxiali Equity Investment Fund Partnership (Limited Partnership) (寧波芙五蓉物廈理股權投資基金合夥企業(有限合夥)), Xiamen Jiadong Property Institute Investment Partnership (Limited Partnership) (廈門嘉棟物院投資合夥企業(有限合夥)), the Company and the largest shareholder of the Company entered into a capital injection agreement pursuant to which the investors subscribed for the Company's new share capital of RMB603,000, RMB287,000, RMB286,000 and RMB286,000, respectively, at cash consideration of RMB42,200,000, RMB20,101,000, RMB20,000,000 and RMB20,000,000, respectively, in which the excess amounts of RMB41,597,000, RMB19,814,000, RMB19,714,000 and RMB19,714,000, respectively, were credited to the capital reserve.

(b) During the year ended December 31, 2023, the Company entered into various capital injection and share subscription agreements with the following investors and pursuant to which a total capital of RMB280,000,000 was injected into the Company with RMB3,672,000 and RMB276,328,000 credited to the Company's share capital and capital reserve, respectively.

(i) In December 2022, Hefei Chantou Tiancheng Equity Investment Partnership (Limited Partnership) (合肥產投天成股權投資合夥企業(有限合夥)), the Company and the largest shareholder of the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB1,080,000 at a cash consideration of RMB100,000,000, in which the excess amount of RMB98,920,000 was credited to the capital reserve. The shares were issued in 2023.

(ii) In June 2023, Ningbo Huajinming Jiade Venture Capital Partnership (Limited Partnership) (寧波華錦銘嘉德創業投資合夥企業(有限合夥)) and the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB154,000 at a cash consideration of RMB10,000,000, in which the excess amount of RMB9,846,000 was credited to the capital reserve.

(iii) In June 2023, Ningbo Huajin Yuxing Venture Capital Partnership (Limited Partnership) (寧波華錦煜興創業投資合夥企業(有限合夥)) and the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB154,000 at a cash consideration of RMB10,000,000, in which the excess amount of RMB9,846,000 was credited to the capital reserve.

(iv) In June 2023, Jiangyin Yinrun Equity Investment Partnership (Limited Partnership) (江陰銀潤股權投資合夥企業(有限合夥)) and the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB981,000 at a cash consideration of RMB70,000,000, in which the excess amount of RMB69,019,000 was credited to the capital reserve.

(v) In June 2023, Shanghai Minshenshi Management Consulting Partnership (Limited Partnership) 上海敏申實管理諮詢合夥企業(有限合夥) and the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB463,000 at a cash consideration of RMB30,000,000, in which the excess amount of RMB29,537,000 was credited to the capital reserve.

(vi) In June 2023, Zhuji Dongzheng Ruikun Equity Investment Partnership (Limited Partnership) (諸暨東證睿坤股權投資合夥企業(有限合夥)) and the Company entered into a capital injection agreement pursuant to which the investor subscribed for the Company's new share capital of RMB840,000 at a cash consideration of RMB60,000,000, in which the excess amount of RMB59,160,000 was credited to the capital reserve.

(c) Pursuant to the shareholders' meeting on April 23, 2023 and the promoters' agreement dated April 26, 2023, the then existing shareholders of the Company agreed to convert the Company into a joint stock limited liability company with a share capital of RMB360,000,000. The capitalisation issue of RMB144,076,000 represents the increase in the Company's registered capital from RMB215,924,000, which is the registered capital before the conversion, which included the registered capital of RMB214,845,000 as at January 1, 2023 and an additional RMB1,080,000 from a share issue completed in January 2023 stated in Note 32(b)(i), to the target registered capital of RMB360,000,000 upon conversion. Pursuant to the promoters' agreement, the net asset value of the Company as of February 28, 2023 amounted to approximately RMB941,508,000, of which (i) RMB360,000,000 was converted into 360,000,000 shares of RMB1.0 par value each, which were subscribed by and issued to the then shareholders of the Company in proportion to their respective equity interest in the Company; and (ii) the remaining amount of approximately RMB581,508,000 was converted into capital reserve of the Company. Concurrently, the balances of statutory reserve and retained earnings as of February 28, 2023, amounting to RMB1,417,000 and RMB88,643,000, respectively, were transferred to capital reserve as part of the conversion process to align with the capital structure requirements of a joint stock company. Upon the completion of registration with the relevant government bureau in May 2023, the Company was converted into a joint stock company with limited liability.

(d) During the year ended December 31, 2024, the Company entered into a capital injection agreement with the following investors and pursuant to which a total capital of RMB1,030,001,000 was injected into the Company with RMB15,901,000 and RMB1,014,100,000 credited to the Company's share capital and capital reserve, respectively.

In December 2024, Xiamen Chantou Juxiang Xinhan Technology Investment Partnership Enterprise (Limited Partnership) (廈門產投炬翔芯瀚科技投資合夥企業(有限合夥)), ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司), Xiamen Gongrong Industry Investment Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (廈門工融產投新興產業股權投資基金合夥企業(有限合夥)), Xiamen Chantou Gongrong Emerging Industry Equity Investment Fund Partnership Enterprise (Limited Partnership) (廈門產投工融新興產業股權投資基金合夥企業(有限合夥)) and the Company entered into a capital injection agreement pursuant to which the investors subscribed for the Company's new share capital of RMB2,779,000, RMB6,947,000, RMB3,087,000 and RMB3,088,000, respectively, at cash consideration of RMB180,000,000, RMB450,000,000, RMB200,000,000 and RMB200,001,000, respectively, in which the excess amounts of RMB177,221,000, RMB443,053,000, RMB196,913,000 and RMB196,913,000, respectively, were credited to the capital reserve.

33. RESERVES

The Group and the Company

The Group's reserves and the movements therein for the years ended December 31, 2022, 2023 and 2024, and nine months ended September 30, 2024 *(unaudited)* and 2025 are presented in the consolidated statements of changes in equity and the summary to the Company's reserve as set out below, respectively.

Summary to the Company's reserve is as follows:

	Capital reserve*	Statutory reserve*	Other reserve*	Share-based payment reserve*	(Accumulated losses)/ retained earnings*	Total reserve
	RMB'000 (Note 33(a))	*RMB'000 (Note 33(b))*	*RMB'000 (Note 33(e))*	*RMB'000 (Note 33(d))*	*RMB'000 (Note 33(c))*	*RMB'000*
At January 1, 2022	291,368	–	(121,133)	–	(205,880)	(35,645)
Profit and total comprehensive income for the year	–	–	–	–	127,543	127,543
Shares issued *(Note 32(a))*	248,184	–	–	–	–	248,184
Transfer to statutory reserve	–	1,417	–	–	(1,417)	–
Recognition of equity-settled share-based payments *(Note 38)*	28,575	–	–	–	–	28,575

	Capital reserve*	Statutory reserve*	Other reserve*	Share-based payment reserve*	(Accumulated losses)/ retained earnings*	Total reserve
	RMB'000 (Note 33(a))	*RMB'000 (Note 33(b))*	*RMB'000 (Note 33(e))*	*RMB'000 (Note 33(d))*	*RMB'000 (Note 33(c))*	*RMB'000*
Balance at December 31, 2022 and January 1, 2023	568,127	1,417	(121,133)	–	(79,754)	368,657
Profit and total comprehensive income for the year	–	–	–	–	107,505	107,505
Shares issued *(Note 32(b))*	276,328	–	–	–	–	276,328
Capitalization issue *(Note 32(c))*	(144,076)	–	–	–	–	(144,076)
Derecognition due to termination of redemption rights *(Note 31)*	–	–	211,351	–	–	211,351
Conversion into a joint stock limited liability company *(Note 32(c))*	90,060	(1,417)	–	–	(88,643)	–
Transfer to statutory reserve	–	5,168	–	–	(5,168)	–
Recognition of equity-settled share-based payments *(Note 38)*	156,974	–	–	99,236	–	256,210
Balance at December 31, 2023 and January 1, 2024	947,413	5,168	90,218	99,236	(66,060)	1,075,975
Profit and total comprehensive income for the year	–	–	–	–	166,074	166,074
Shares issued *(Note 32(b))*	1,014,100	–	–	–	–	1,014,100
Transfer to statutory reserve	–	16,173	–	–	(16,173)	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	154,249	–	154,249
Balance at December 31, 2024 and January 1, 2025	1,961,513	21,341	90,218	253,485	83,841	2,410,398
Profit and total comprehensive income for the period	–	–	–	–	14,020	14,020
Transfer to statutory reserve	–	1,436	–	–	(1,436)	–
Derecognition due to termination of redemption rights *(Note 31)*	–	–	18,351	–	–	18,351
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	124,484	–	124,484
Balance at September 30, 2025	1,961,513	22,777	108,569	377,969	96,425	2,570,202
Balance at January 1, 2024	947,413	5,168	90,218	99,236	(66,060)	1,075,975
Profit and total comprehensive income for the period	–	–	–	–	118,868	118,868
Transfer to statutory reserve	–	11,987	–	–	(11,987)	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	141,163	–	141,163
Balance at September 30, 2024 ***(Unaudited)***	947,413	17,155	90,218	240,399	40,821	1,336,006

* These reserve accounts comprise the reserves as at December 31, 2022, 2023, 2024 and as at September 30, 2025 in the Company's statements of financial position.

(a) Capital reserve

The capital reserve represents the excess of capital contributions from the equity holders of the Company over the share capital.

(b) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the entities established in the PRC, PRC group entities are required to appropriate 10% of their net profits after tax, as determined under the generally accepted accounting principles of the PRC, to the statutory reserve until the reserve balance reaches 50% of their respective registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the group entities, the statutory reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the group entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(c) (Accumulated losses)/retained earnings

Cumulative net profit and loss recognized in profit or loss.

(d) Share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of equity-settled share-based payment granted (Note 38).

(e) Other reserve

The other reserve comprises the amounts in relation to the recognition of the redemption liabilities as set out in Note 31.

34. AMOUNT DUE FROM A SUBSIDIARY

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, the balance is unsecured, interest-free and repayable on demand.

35. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below shows the details about the changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities.

	Redemption liabilities	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	197,812	101,323	554	299,689
Changes from financing cash flows:				
Proceeds from bank borrowings	–	295,151	–	295,151
Repayments of bank borrowings	–	(83,286)	–	(83,286)
Repayment of lease liabilities	–	–	(486)	(486)
Interest paid	–	(4,600)	(9)	(4,609)
Total changes from financing cash flows	–	207,265	(495)	206,770
Other changes:				
New leases	–	–	412	412
Lease termination	–	–	(136)	(136)
Interest expenses	15,825	4,600	9	20,434
	15,825	4,600	285	20,710
At December 31, 2022	213,637	313,188	344	527,169

	Redemption liabilities	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	213,637	313,188	344	527,169
Changes from financing cash flows:				
Proceeds from bank borrowings	–	1,021,745	–	1,021,745
Repayments of bank borrowings	–	(207,941)	–	(207,941)
Repayment of lease liabilities	–	–	(830)	(830)
Interest paid	–	(18,168)	(18)	(18,186)
Total changes from financing cash flows	–	795,636	(848)	794,788
Other changes:				
New leases	–	–	795	795
Derecognition due to termination of redemption rights	(211,351)	–	–	(211,351)
Lease termination	–	–	(48)	(48)
Interest expenses	14,387	18,168	18	32,573
	(196,964)	18,168	765	(178,031)
At December 31, 2023	16,673	1,126,992	261	1,143,926

	Redemption liabilities	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	16,673	1,126,992	261	1,143,926
Changes from financing cash flows:				
Proceeds from bank borrowings	–	744,826	–	744,826
Repayments of bank borrowings	–	(759,688)	–	(759,688)
Repayment of lease liabilities	–	–	(176)	(176)
Interest paid	–	(30,135)	(2)	(30,137)
Total changes from financing cash flows	–	(44,997)	(178)	(45,175)
Other changes:				
New leases	–	–	133	133
Lease termination	–	–	(151)	(151)
Interest expenses	1,334	30,135	2	31,471
	1,334	30,135	(16)	31,453
At December 31, 2024	18,007	1,112,130	67	1,130,204

	Redemption liabilities	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	16,673	1,126,992	261	1,143,926
Changes from financing cash flows:				
Proceeds from bank borrowings	–	595,350	–	595,350
Repayments of bank borrowings	–	(284,198)	–	(284,198)
Repayment of lease liabilities	–	–	(176)	(176)
Interest paid	–	(21,410)	(2)	(21,412)
Total changes from financing cash flows	–	289,742	(178)	289,564
Other changes:				
New lease	–	–	133	133
Lease termination	–	–	(151)	(151)
Interest expenses	1,000	21,410	2	22,412
	1,000	21,410	(16)	22,394
At September 30, 2024 *(Unaudited)*	17,673	1,438,144	67	1,455,884

	Redemption liabilities	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2025	18,007	1,112,130	67	1,130,204
Changes from financing cash flows:				
Proceeds from bank borrowings	–	60,730	–	60,730
Repayments of bank borrowings	–	(403,322)	–	(403,322)
Repayment of lease liabilities	–	–	(133)	(133)
Interest paid	–	(9,919)	(1)	(9,920)
Total changes from financing cash flows	–	(352,511)	(134)	(352,645)
Other changes:				
New lease	–	–	132	132
Derecognition due to termination of redemption rights	(18,351)	–	–	(18,351)
Interest expenses	344	9,919	1	10,264
	(18,007)	9,919	133	(7,955)
At September 30, 2025	–	769,538	66	769,604

36. CAPITAL COMMITMENTS

The Group

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, the Group had outstanding capital commitments as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
– Construction-in-progress	847,726	88,246	90,277	71,903
– Office equipment	111	324	157	462
	847,837	88,570	90,434	72,365

The Company

As at December 31, 2022, 2023 and 2024 and as at September 30, 2025, the Company had outstanding capital commitments as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for:				
– Unpaid share capital of subsidiary	–	–	–	55
Contracted, but not provided for:				
– Construction-in-progress	847,726	88,246	90,277	71,903
– Office equipment	111	324	157	462
	847,837	88,570	90,434	72,420

37. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group:

Name of related parties	Relationship with the Group
費勉儀器科技(上海)有限公司	Company subject to common significant influence
無錫華潤微電子有限公司	Company subject to common significant influence
無錫華潤華晶微電子有限公司	Company subject to common significant influence

(b) The Group entered into the following related party transactions with related companies during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Related companies					
Revenue	8,408	20,729	25,841	14,805	22,997

The terms of the related party transactions carried out during the Track Record Period were mutually agreed by the Group and the related companies.

(c) Balance with related parties

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
無錫華潤微電子有限公司	–	3,186	238	–
無錫華潤華晶微電子有限公司	1,897	541	8,762	451

All of the above related party balances are of trade nature.

(d) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the Track Record Period represented the directors' emoluments as disclosed in Note 14(a) to the Historical Financial Information.

38. SHARE-BASED PAYMENTS

On June 21, 2023, the Group granted 25,598,888 RSUs of the Company to 24 eligible employees at a subscription price of RMB1 per unit. According to the RSU scheme and employees' agreements, the vesting periods for 2,230,000 shares, 1,443,000 shares and 21,925,888 shares granted are nil, 3 years and 6 years, respectively, from the grant date. The shares with vesting period are subject to the Company's financial performance and individual performance assessment. The fair values of the shares of RMB70.38 per share granted were primarily established with reference to recent equity transaction of the Company close to the grant date.

On December 18, 2023, there is a modification of terms of RSUs, in which vesting period of all RSUs is 6 years, out of which 1,443,000 shares are subject to the Company's financial performance and individual performance assessment.

The fair values of the RSUs granted on June 21, 2023 and modified on December 18, 2023 were RMB1,801,650,000 and RMB1,801,650,000, respectively. During the years ended December 31, 2023 and 2024 and nine months ended September 30, 2024 and September 30, 2025, the Group recognized share-based payment expenses of RMB256,210,000, RMB154,249,000, RMB141,163,000 and RMB124,484,000, respectively.

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debts which include total liabilities (which includes trade and bills payables, other payables and accruals, income tax payables, borrowings, lease liabilities, derivative financial liabilities, redemption liabilities and deferred tax liabilities) and total equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total liabilities divided by total equity. The gearing ratio were as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	764,109	1,400,132	1,421,901	1,076,395
Total equity	583,502	1,464,167	2,813,484	2,977,464
Gearing ratio	131%	96%	51%	36%

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Group

The following table shows the carrying amounts of financial assets and liabilities of the Group:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
Trade receivables	104,995	75,666	127,740	268,707
Deposits and other receivables	1,153	1,074	2,230	10,832
Term deposits	20,622	20,622	–	–
Cash and cash equivalents	274,417	549,521	2,030,653	1,832,787
	401,187	646,883	2,160,623	2,112,326
Financial assets at FVOCI:				
Bills receivable	1,801	3,000	1,905	257
Financial liabilities				
Financial liabilities measured at amortized cost:				
Trade and bills payables	54,863	32,912	71,883	154,964
Other payables and accruals, excluding other tax payables	180,788	189,554	142,631	101,730
Lease liabilities	344	261	67	66
Redemption liabilities	213,637	16,673	18,007	–
Borrowings	313,188	1,126,992	1,112,130	769,538
	762,820	1,366,392	1,344,718	1,026,298
Financial liabilities at FVPL:				
Derivative financial instruments	–	–	–	2,140

The Company

The following table shows the carrying amounts of financial assets and liabilities of the Company:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
Trade receivables	104,995	75,666	63,666	67,161
Deposits and other receivables	1,153	1,074	2,116	10,723
Amount due from a subsidiary	–	–	210,709	421,229
Term deposits	20,622	20,622	–	–
Cash and cash equivalents	274,417	549,521	2,022,075	1,705,055
	401,187	646,883	2,298,566	2,204,168
Financial assets at FVOCI:				
Bills receivable	1,801	3,000	902	257
Financial liabilities				
Financial liabilities measured at amortized cost:				
Trade and bills payables	54,863	32,912	36,870	30,688
Other payables and accruals, excluding other tax payables	180,788	189,554	140,623	100,017
Lease liabilities	344	261	–	–
Redemption liabilities	213,637	16,673	18,007	–
Borrowings	313,188	1,126,992	1,076,142	769,538
	762,820	1,366,392	1,271,642	900,243
Financial liabilities at FVPL:				
Derivative financial instruments	–	–	–	470

41. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The fair value hierarchy of financial instruments measured at fair value is provided below.

The Group

	Level 2			
	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments (fair value through profit or loss)	–	–	–	2,140

There were no transfers between levels during the period.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial instrument	Valuation techniques used	Significant unobservable inputs (Level 3 only)	Inter-relationship between key unobservable inputs and fair value (Level 3 only)
Derivative financial instruments	Market approach Execution value quoted by banks with reference to the expected return of the underlying assets	Not applicable.	Not applicable.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk, liquidity risk, equity price risk and foreign currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at December 31, 2022, 2023 and 2024 and as at September 30, 2025 are the cash at bank and term deposits except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at December 31, 2022, 2023 and 2024 and as at September 30, 2025 are fixed deposits, redemption liabilities and borrowings and the change of market interest rate does not expose the Group to fair value interest risk. The directors of the Company consider that the Group's exposure to interest rate risk is not significant and no sensitivity analysis of interest rate risk is presented.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables, deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and bills receivables, deposits and other receivables, credit evaluations are performed on all debtors. 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 customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade and bills receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Concentrations of credit risk are managed by customer/counterparty and by geographical region. The Group had certain concentrations of credit risks as 68%, 0%, 26% and 12% of total trade receivables are due from largest customer as at December 31, 2022, 2023, 2024 and September 30, 2025. The directors carry a periodic review of the creditworthiness of these customers and consider that the exposure to such credit risk is minimal. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 42(b)(i). Other than above, the Group does not have any other significant concentration of credit risk.

The Group

(i) Trade and bills receivables

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs individually and collectively using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status

is not further distinguished between the Group's different customer bases. The bills receivable as at December 31, 2022, 2023, 2024 and as at September 30, 2025 were not yet past due. No loss allowance under the ECL model was recognized, as the credit risk on the bills receivable was considered insignificant.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at the end of each reporting period:

	Current	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individually assessed	Total
At December 31, 2022									
Expected loss rate (%)	1%	1%	1%	N/A	20%	N/A	N/A	N/A	
Gross carrying amount (RMB'000)	95,613	9,051	213	–	1,465	–	–	–	106,342
Loss allowance (RMB'000)	(956)	(96)	(2)	–	(293)	–	–	–	(1,347)
At December 31, 2023									
Expected loss rate (%)	1%	1%	N/A	5%	20%	50%	N/A	N/A	
Gross carrying amount (RMB'000)	71,587	4,265	–	18	213	785	–	–	76,868
Loss allowance (RMB'000)	(716)	(49)	–	(1)	(43)	(393)	–	–	(1,202)
At December 31, 2024									
Expected loss rate (%)	1%	1%	1%	N/A	20%	50%	100%	N/A	
Gross carrying amount (RMB'000)	71,878	54,459	2,782	–	18	213	785	–	130,135
Loss allowance (RMB'000)	(719)	(752)	(28)	–	(4)	(107)	(785)	–	(2,395)
At September 30, 2025									
Expected loss rate (%)	1%	1%	1%	34.0%	N/A	100%	100%	N/A	
Gross carrying amount (RMB'000)	219,538	37,367	14,505	780	–	231	785	–	273,206
Loss allowance (RMB'000)	(2,698)	(374)	(145)	(266)	–	(231)	(785)	–	(4,499)

Expected loss rates are based on actual loss experience over the past 6 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	413	1,347	1,202	1,202	2,395
Provision/(reversal of provision) for loss allowance	934	(145)	1,193	179	2,104
At the end of the year/period	1,347	1,202	2,395	1,381	4,499

Changes in loss allowance for impairment of trade receivables during the Track Record Period were mainly contributed by the followings:

– For the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025, increase/(decrease) in the ending balances of trade receivables resulted in an increase/(decrease) in loss allowance of and RMB934,000, RMB(145,000), RMB1,193,000, RMB179,000 and RMB2,104,000, respectively.

(ii) Deposits and other receivables

In respect of deposits and other receivables, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs or lifetime ECLs for deposits and other receivables. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of each reporting period, all deposits and other receivables are measured at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount				
– Deposits and other receivables . . .	1,214	1,131	2,347	10,961
Loss allowance				
– Deposits and other receivables . . .	61	57	117	129

Movements in the loss allowance account for impairment of deposits and other receivables are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	94	61	57	57	117
(Reversal of provision)/ provision for loss allowance	(33)	(4)	60	21	12
At the end of the year/period.	61	57	117	78	129

Changes in loss allowance for impairment of deposits and other receivables during the Track Record Period were mainly contributed by the followings:

– For the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025, (decrease)/increase in the ending balances of deposits and other receivables resulted in a (decrease)/increase in loss allowance of RMB(33,000), RMB(4,000), RMB60,000, RMB21,000 and RMB12,000, respectively.

(iii) Cash and cash equivalents and term deposits

In respect of the Group's cash and cash equivalents and term deposits, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

The Company

(i) Trade and bills receivables

The Company measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs individually and collectively using a provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status

is not further distinguished between the Company's different customer bases. The bills receivable as at December 31, 2022, 2023, 2024 and as at September 30, 2025 were not yet past due. No loss allowance under the ECL model was recognized, as the credit risk on the bills receivable was considered insignificant.

The following table provides information about the Company's exposure to credit risk and ECLs for trade receivables as at the end of each reporting period:

	Current	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individually assessed	Total
At December 31, 2022									
Expected loss rate (%)	1%	1%	1%	N/A	20%	N/A	N/A	N/A	
Gross carrying amount (RMB'000)	95,613	9,051	213	–	1,465	–	–	–	106,342
Loss allowance (RMB'000)	(956)	(96)	(2)	–	(293)	–	–	–	(1,347)
At December 31, 2023									
Expected loss rate (%)	1%	1%	N/A	5%	20%	50%	N/A	N/A	
Gross carrying amount (RMB'000)	71,587	4,265	–	18	213	785	–	–	76,868
Loss allowance (RMB'000)	(716)	(49)	–	(1)	(43)	(393)	–	–	(1,202)
At December 31, 2024									
Expected loss rate (%)	1%	1%	1%	N/A	20%	50%	100%	N/A	
Gross carrying amount (RMB'000)	22,307	39,372	2,718	–	18	213	785	–	65,413
Loss allowance (RMB'000)	(323)	(501)	(27)	–	(4)	(107)	(785)	–	(1,747)
At September 30, 2025									
Expected loss rate (%)	1%	1%	1%	N/A	N/A	100%	100%	N/A	
Gross carrying amount (RMB'000)	57,048	9,199	1,428	–	–	231	785	–	68,691
Loss allowance (RMB'000)	(408)	(92)	(14)	–	–	(231)	(785)	–	(1,530)

Expected loss rates are based on actual loss experience over the past 6 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	413	1,347	1,202	1,202	1,747
Provision/(reversal of provision) for loss allowance	934	(145)	545	168	(217)
At the end of the year/period	1,347	1,202	1,747	1,370	1,530

Changes in loss allowance for impairment of trade receivables during the Track Record Period were mainly contributed by the followings:

– For the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025, increase/(decrease) in the ending balances of trade receivables resulted in an increase/(decrease) in loss allowance of and RMB934,000, RMB(145,000), RMB545,000, RMB168,000 and RMB(217,000), respectively.

(ii) Deposits and other receivables

In respect of deposits and other receivables, the Company has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs or lifetime ECLs for deposits and other receivables. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of each reporting period, all deposits and other receivables are measured at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. The following table provides information about the Company's exposure to credit risk and ECLs for deposits and other receivables:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount				
– Deposits and other receivables . . .	1,214	1,131	2,227	10,838
Loss allowance				
– Deposits and other receivables . . .	61	57	111	115

Movements in the loss allowance for impairment of deposits and other receivables are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	94	61	57	57	111
(Reversal of provision)/ provision for loss allowance	(33)	(4)	54	21	4
At the end of the year/period.	61	57	111	78	115

Changes in loss allowance for impairment of deposits and other receivables during the Track Record Period were mainly contributed by the followings:

– For the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025, (decrease)/increase in the ending balances of deposits and other receivables resulted in a (decrease)/increase in loss allowance of RMB(33,000), RMB(4,000), RMB54,000, RMB21,000 and RMB4,000, respectively.

(iii) Cash and cash equivalents and term deposits

In respect of the Company's cash and cash equivalents and term deposits, the directors of the Company consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

(iv) Amount due from subsidiary

The amount due from subsidiary is mainly trade nature. The Company measures loss allowances for amount due from subsidiary at an amount equal to lifetime ECLs individually and collectively using a provision matrix. As the Company's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between the Company's different customer bases.

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Gross carrying amount	–	–	213,201	423,142
Loss allowance	–	–	2,492	1,913

Movements in the loss allowance for impairment of amount due from subsidiary is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	–	–	–	–	2,492
Provision/(reversal of provision) for loss allowance	–	–	2,492	445	(579)
At the end of the year/period	–	–	2,492	445	1,913

Changes in loss allowance for impairment of amount due from subsidiary during the Track Record Period were mainly contributed by the followings:

– For the years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2024 *(unaudited)* and 2025, (decrease)/increase in the ending balances of amount due from subsidiary resulted in a (decrease)/increase in loss allowance of nil, nil and RMB2,492,000, RMB445,000 and RMB(579,000), respectively.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of each reporting period.

The Group

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022						
Trade and bills payables	54,863	54,863	54,863	–	–	–
Other payables and accruals	180,788	180,788	180,788	–	–	–
Lease liabilities	344	350	350	–	–	–
Redemption liabilities	213,637	213,637	213,637	–	–	–
Borrowings	313,188	334,822	151,178	76,246	107,398	–
	762,820	784,460	600,816	76,246	107,398	–

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Trade and bills payables	32,912	32,912	32,912	–	–	–
Other payables and accruals	189,554	189,554	189,554	–	–	–
Lease liabilities	261	263	263	–	–	–
Redemption liabilities	16,673	16,673	16,673	–	–	–
Borrowings	1,126,992	1,240,896	349,062	246,995	385,872	258,967
	1,366,392	1,480,298	588,464	246,995	385,872	258,967

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024						
Trade and bills payables	71,883	71,883	71,883	–	–	–
Other payables and accruals	142,631	142,631	142,631	–	–	–
Lease liabilities	67	67	67	–	–	–
Redemption liabilities	18,007	18,007	18,007	–	–	–
Borrowings	1,112,130	1,244,892	335,835	163,592	465,163	280,302
	1,344,718	1,477,480	568,423	163,592	465,163	280,302

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at September 30, 2025						
Trade and bills payables	154,964	154,964	154,964	–	–	–
Other payables and accruals	101,730	101,730	101,730	–	–	–
Lease liabilities	66	66	66	–	–	–
Derivative financial instruments	2,140	2,140	2,140	–	–	–
Borrowings	769,538	877,765	91,075	95,710	613,309	77,671
	1,028,438	1,136,665	349,975	95,710	613,309	77,671

The Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022						
Trade and bills payables	54,863	54,863	54,863	–	–	–
Other payables and accruals	180,788	180,788	180,788	–	–	–
Lease liabilities	344	350	350	–	–	–
Redemption liabilities	213,637	213,637	213,637	–	–	–
Borrowings	313,188	334,822	151,178	76,246	107,398	–
	762,820	784,460	600,816	76,246	107,398	–

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Trade and bills payables	32,912	32,912	32,912	–	–	–
Other payables and accruals	189,554	189,554	189,554	–	–	–
Lease liabilities	261	263	263	–	–	–
Redemption liabilities	16,673	16,673	16,673	–	–	–
Borrowings	1,126,992	1,240,896	349,062	246,995	385,872	258,967
	1,366,392	1,480,298	588,464	246,995	385,872	258,967

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2024						
Trade and bills payables	36,870	36,870	36,870	–	–	–
Other payables and accruals	140,623	140,623	140,623	–	–	–
Redemption liabilities	18,007	18,007	18,007	–	–	–
Borrowings	1,076,142	1,208,904	299,847	163,592	465,163	280,302
	1,271,642	1,404,404	495,347	163,592	465,163	280,302

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at September 30, 2025						
Trade and bills payables	30,688	30,688	30,688	–	–	–
Other payables and accruals	100,017	100,017	100,017	–	–	–
Derivative financial instruments	470	470	470	–	–	–
Borrowings	769,538	877,765	91,075	95,710	613,309	77,671
	900,713	1,008,940	222,250	95,710	613,309	77,671

(d) Foreign currency risk

The Group

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has foreign currency exposures. Such exposures arise from the balances of assets and liabilities in currencies other than the group entities' functional currency. The carrying amounts of the foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
EURO ("EUR")	8,985	344	–	–
United state dollars ("USD")	8,626	427,236	1,155,815	1,336,922
	17,611	427,580	1,155,815	1,336,922
Liabilities				
EUR	26,322	48,969	41,768	31,505
USD	28,402	7,908	1,748	–
	54,724	56,877	43,516	31,505

Management monitors foreign currency exposure by closely monitoring the movements of foreign currency rates. Management has set up a policy to require the group entities to manage their foreign exchange risk against their respective functional currency.

The following table indicates the approximate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. A positive number below indicates an increase in profit before tax where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax, and the balances below would be negative. The 5% change in foreign exchange rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible changes in foreign exchange rates.

The following sensitivity analysis has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the reporting year/period and held constant throughout the year/period.

	As at December 31,						As at September 30,	
	2022		2023		2024		2025	
	Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Changes in exchange rate:								
RMB appreciates by 5% against the foreign currencies	867	989	2,431	(20,966)	2,088	(57,703)	1,575	(66,846)
RMB depreciates by 5% against the foreign currencies	(867)	(989)	(2,431)	20,966	(2,088)	57,703	(1,575)	66,846

The Company

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has foreign currency exposures. Such exposures arise from the balances of assets and liabilities in currencies other than the Company's functional currency. The carrying amounts of the foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	As at December 31,			As at September 30,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
EUR	8,985	344	–	–
USD	8,626	427,236	1,102,345	1,120,533
	17,611	427,580	1,102,345	1,120,533
Liabilities				
EUR	26,322	48,969	41,768	31,505
USD	28,402	7,908	1,748	–
	54,724	56,877	43,516	31,505

Management monitors foreign currency exposure by closely monitoring the movements of foreign currency rates. Management has set up a policy to require the Company to manage their foreign exchange risk against their respective functional currency.

The following table indicates the approximate change in the Company's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Company has significant exposure at the end of the reporting period. A positive number below indicates an increase in profit before tax where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax, and the balances below would be negative. The 5% change in foreign exchange rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible changes in foreign exchange rates.

The following sensitivity analysis has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the reporting year/period and held constant throughout the year/period.

	As at December 31,						As at September 30,	
	2022		2023		2024		2025	
	Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Changes in exchange rate:								
RMB appreciates by 5% against the foreign currencies	867	989	2,431	(20,966)	2,088	(55,030)	1,575	(56,027)
RMB depreciates by 5% against the foreign currencies	(867)	(989)	(2,431)	20,966	(2,088)	55,030	(1,575)	56,027

43. CONTINGENCIES

During the years ended December 31, 2022, 2023, 2024 and nine months ended September 30, 2025, there were ongoing disputes and legal proceeding between Xiamen Dangfeng Technology Co., Ltd. ("**Dangfeng Technology**"), one of the shareholders of the Company, and Zhu Xiaomin (朱曉閩), an independent third party, as to the shareholding of Dangfeng Technology in the Company. Zhu Xiaomin brought a legal action against Dangfeng Technology and the Company, pursuant to which he alleged that Dangfeng Technology held certain shares in the Company on trust for him, representing approximately 0.12% of the total issued share capital. As of December 31, 2024, such legal action was still ongoing and has not yet been settled. The court dismissed Zhu Xiaomin's claims in the first instance in April 2025 and Zhu Xiaomin filed an appeal in May 2025. Considering (i) as confirmed by the PRC legal adviser of the Company, the Company will not be subject to cash or share payment obligations as a result of such legal proceeding, and (ii) the shares in dispute only account for 0.12% of the total issued share capital, which have no control or influence in the daily operation of the Company, the directors of the Company are of the view that the dispute will not have a material adverse impact on the financial position and operation of the Group. Subsequent to the filing of the appeal in May 2025, the Xiamen Intermediate People's Court conducted a hearing in June 2025 and issued a final judgment in July 2025. The Court rejected Zhu Xiaomin's request to be registered as a formal shareholder of the Company on its official register.

As of September 30, 2025, there were no significant contingency items for the Group and the Company.

44. SUBSEQUENT EVENT

There was no material event subsequent to the Track Record Period to be disclosed.

45. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group and the Company or any of the companies comprising the Group in respect of any period subsequent to September 30, 2025.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[REDACTED]

SHARES

Issuance of Shares

The capital of the Company is divided into shares. All shares of the Company, according to the provisions of the Articles of Association, shall be issued as par value shares, with each share having an equal amount.

The shares of the Company shall take the form of registered share certificates.

The issuance of shares by the Company shall adhere to the principles of openness, fairness and impartialness, and each share in the same class shall carry the same rights.

For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by any entity or individual, the price per share paid must be the same.

Domestic unlisted shares and overseas listed shares issued by the Company shall rank pari passu over any distribution by way of dividend (including distributions in cash and in kind) or any other forms of distribution. The Company shall not exercise any right to freeze or otherwise damage the rights attached to any shares directly or indirectly held by any person only on the ground that the said person fails to disclose his/her equity to the Company.

All or part of the Company's domestic unlisted shares may be converted into overseas listed shares upon filing with the CSRC and approval by the Hong Kong Stock Exchange, and the converted overseas listed shares may be listed and traded on overseas stock exchanges. The listing and trading of the converted shares on an overseas stock exchange shall also comply with the regulatory procedures, regulations and requirements of the relevant overseas securities markets.

Increase, Decrease and Repurchase of Shares

The Company may, upon separate resolution by a shareholders' general meeting, adopt the following methods to increase its registered capital in accordance with its business and development needs and pursuant to the laws, regulations and securities regulatory rules of the place where the shares of the Company are listed:

(I) public offering of shares;

(II) non-public offering of shares;

(III) allotting of bonus shares to existing shareholders;

(IV) conversion of funds in the capital reserve into share capital;

(V) any other means stipulated by laws or administrative regulations or approved by relevant regulatory authorities.

Subject to the laws, regulations and securities regulatory rules of the place where the shares of the Company are listed, the Board of Directors may decide to issue no more than 50% of the issued shares within three years under the authorization of the shareholders' general meeting. However, capital contributions in the form of non-monetary assets shall be resolved by the shareholders' general meeting.

When the Company reduces its registered capital, in principle, shares shall be reduced in proportion to the shares held by shareholders; however, as otherwise provided by law or approved by two thirds of the voting rights represented by the shareholders present at the meeting, the capital contributions may be reduced in a targeted manner by some of the shareholders or the shareholders may reduce their respective shares in a non-proportional manner.

The Company shall not acquire its shares, except in any of the following circumstances:

(I) decreasing the registered capital of the Company;

(II) merging with other companies holding shares of the Company;

(III) using shares for employee stock ownership plan or equity incentives;

(IV) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company and request the Company to acquire their shares;

(V) using shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(VI) acquiring shares in a manner as necessary for maintenance of the Company's value and shareholders' interests;

(VII) acquiring shares in other circumstances as permitted by the securities regulatory rules of the place where the shares of the Company are listed.

Subject to the relevant securities regulatory rules of the place where the shares of the Company are listed, the Company may acquire its shares through public centralized trading or other ways as permitted by the laws, regulations, Hong Kong Listing Rules and relevant regulatory authorities.

Where the Company acquires its shares under the circumstances prescribed in items (I) and (II) of paragraph 1 of this article, such acquisition shall be approved by a resolution at a shareholders' general meeting. The acquisition by the Company of its own shares under circumstances as mentioned in items (III), (V) and (VI) of paragraph 1 of this article shall be proceeded by a public centralized trading method pursuant to the relevant securities regulatory rules of the place where the shares of the Company are listed and upon approval by a resolution

at a meeting of the Board of Directors attended by more than two thirds of all directors. If it is otherwise specified in the securities regulatory rules of the place where the shares of the Company are listed, such rules shall prevail, subject to the Company Law, the Securities Law, the Guidelines for Articles of Association of Listed Companies and other relevant laws and regulations.

Subject to the relevant securities regulatory rules of the place where the shares of the Company are listed, the shares repurchased according to this article under the circumstance stipulated in item (I) hereof shall be deregistered within 10 days from the date of repurchase of shares; the shares shall be assigned or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (II) or item (IV); and the shares in the Company held in total by the Company after the repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) shall not exceed 10% of the Company's total outstanding shares, and shall be assigned or deregistered within three years. If it is otherwise specified in the securities regulatory rules of the place where the shares of the Company are listed, such rules shall prevail, subject to the Company Law, the Securities Law, the Guidelines for Articles of Association of Listed Companies and other relevant domestic laws and regulations.

In acquiring its shares, the Company shall perform its obligation of information disclosure according to the provisions of the Securities Law and the securities regulatory rules of the place where the shares of the Company are listed.

The Company or its subsidiaries (including its affiliates) shall not provide gifts, loans, guarantees or other financial assistance for the acquisition of the Company's shares by others, except for the implementation of the Company's employee stock ownership plan.

In the interest of the Company, the Company may, by resolution of the shareholders' general meeting or by resolution of the Board of Directors under the authorization of the shareholders' general meeting, provide financial assistance for the acquisition of the Company's shares by others, provided that the cumulative total amount of financial assistance shall not exceed 10% of the total amount of the issued share capital. Resolutions made by the Board of Directors shall require approval from two thirds of all directors.

If the violations of the provisions outlined in the previous two paragraphs result in losses to the Company, the responsible directors, supervisors, and senior management personnel shall be held liable for compensation.

Transfer of Shares

Unless otherwise provided by laws, administrative regulations, departmental rules, and securities regulatory rules of the place where the shares are listed, the shares of the Company may be transferred according to law.

All transfers of H shares shall be effected by an instrument of transfer made in writing in a general or common form or in such other form acceptable to the Board of Directors (including the standard transfer format or transfer form prescribed by the Hong Kong Stock Exchange from time to time). The instrument of transfer can only be signed by hand or affixed with a seal of the Company (if the Company is the transferor or the transferee). Where the transferor or transferee is a recognized clearing house as defined by relevant regulations in the laws of Hong Kong effective from time to time, or any of its agents, the written instrument of transfer may be signed by hand or by print. All instruments of transfer shall be kept at the legal address of the Company or other place designated by the Board of Directors from time to time.

Share Register

The Company shall make a share register in accordance with evidentiary documents provided by the securities registration authorities, which register bears adequate evidence of shareholders holding shares of the Company. The original of register of holders of H shares shall be kept in Hong Kong for shareholders' inspection, but the Company may suspend the registration of shareholders in accordance with the provisions of applicable laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed, e.g., the equivalent provision of Section 632 of the Companies Ordinance. If the applicable laws, administrative regulations, departmental rules, regulatory documents and securities regulatory rules of the place where the shares of the Company are listed have special provisions on the suspension of the registration of changes in the share register, such provisions shall apply.

If the Company convenes a shareholders' general meeting, distributes dividends, conducts liquidation or performs other activities that require determining the identity of the shareholders, the Board of Directors or the convener of the shareholders' general meeting shall determine the date of record, and shareholders registered in the share register after market closing on the date of record shall be shareholders who enjoy the relevant rights and interests.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Rights and Obligations of the Shareholders

The shareholders of the Company shall have the following rights:

(I) obtaining dividends and any other form of profit distribution based on the proportion of shares held by them;

(II) requiring, convening, chairing, attending or appointing a proxy to attend a shareholders' general meeting pursuant to the laws and exercising the corresponding voting rights;

(III) supervising, presenting suggestions on or making inquiries about the business operations of the Company;

(IV) transferring, gifting or pledging their shares in accordance with laws, administrative regulations and the Articles of Association;

(V) inspecting and replicating the Articles of Association, share register, minutes of shareholders' general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

(VI) Participating in the distribution of the Company's residual assets based on their shareholding upon termination or liquidation of the Company;

(VII) requiring the Company to repurchase their shares in the event of objection to resolutions of the shareholders' general meetings concerning merger or division of the Company;

(VIII) enjoying other rights stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

The shareholders of the Company shall have the following obligations:

(I) to abide by laws, administrative regulations and the Articles of Association;

(II) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(III) not to make divestment unless in the circumstances stipulated by laws and administrative regulations;

(IV) not to abuse shareholder's right to prejudice the interests of the Company or other shareholders; not to abuse the independent status of legal person of the Company or shareholder's limited liability to prejudice the interests of the creditors of the Company;

(V) to assume other obligations as provided by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Shareholders who abuse shareholders' rights and cause damages to the Company and other shareholders shall be liable for compensation pursuant to the law. Shareholders who abuse the independent status of legal person of the Company and shareholders' limited liability to evade debts and severely infringe upon interests of the Company's creditors shall assume joint and several liabilities for the Company's debts.

The controlling shareholder and actual controlling person of the Company shall perform fiduciary duty to the Company and general public shareholders thereof. The controlling shareholder shall exercise contributor's rights in strict accordance with law, shall not damage the legitimate rights and interests of the Company and general public shareholders by such means as profit distribution, asset reorganization, external investment, fund appropriation and loan guarantee and shall not abuse its controlling status to damage the interests of the Company and general public shareholders.

Proxies of Shareholders

A shareholder may either attend the shareholders' general meeting(s) in person, or appoint a proxy to attend, speak and vote on his/her behalf. Such proxy need not be a shareholder of the Company.

A shareholder who appoints a proxy to attend the shareholders' general meeting shall specify the matters delegated and the scope and term of authorization, and the proxy is required to submit the shareholder's power of attorney to the Company and exercise the voting rights within the scope of authorization.

The power of attorney used by shareholders to appoint proxies to attend the shareholders' general meeting shall contain the following information:

(I) the name of the proxy;

(II) whether or not the proxy has any voting right;

(III) instructions to vote for or against or abstain from voting on each matter under consideration included in the agenda of the shareholders' general meeting;

(IV) the date of issue and validity period of the power of attorney;

(V) signature (or seal) of the principal. If the principal is a corporate shareholder, the corporate seal shall be affixed.

Such a power of attorney shall specify that in default of directives from the shareholder, the proxy may vote at his/her own discretion.

Where the instrument of proxy is signed by a person authorized by the principal, the power of attorney or other documents authorizing such person to sign the instrument of proxy shall be notarized. The notarized power of attorney or other authorization documents, together with the instrument of proxy, shall be lodged at the address of the Company or at other places specified in the notice of meeting.

Where the principal is a legal person, its legal representative or a person authorized by the Board of Directors or other decision-making body shall attend the shareholders' general meeting of the Company on its behalf.

Powers of Shareholders' General Meetings and Matters to be Determined

The shareholders' general meeting is the organ of authority of the Company, and shall exercise following functions and powers:

(I) to elect and replace directors and supervisors, and to determine the remuneration of the relevant directors and supervisors;

(II) to consider and approve the reports of the Board of Directors;

(III) to consider and approve the reports of the Board of Supervisors;

(IV) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(V) to resolve on increase or decrease of the registered capital of the Company;

(VI) To resolve on issuance of bonds of the Company;

(VII) To resolve on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(VIII) to amend the Articles of Association;

(IX) to resolve on the engagement and dismissal of the accounting firm providing audit services for the Company;

(X) to consider equity incentive scheme and employee stock ownership plan of the Company;

(XI) to consider the Company's proposed investments in other enterprises that exceed the limits approved by the Board of Directors;

(XII) to consider the Company's external loans and guarantees (except for entities within the scope of consolidated financial statements).

External guarantees of the Company (except for entities within the scope of the consolidated financial statements) shall be considered and approved by the Board of Directors and then submitted to the shareholders' general meeting for approval. External guarantees not approved by the competent decision-making body of the Company are invalid and the Company shall not bear any legal responsibility.

(XIII) to deliberate matters regarding the purchase or sale of material assets by the Company within one year that exceed 30% of the latest audited total assets of the Company;

(XIV) to consider and approve matters relating to the modification of raised fund purposes;

(XV) to consider other matters which should be decided by the shareholders' general meeting as stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

When the shareholders' general meeting considers a connected transaction, the connected shareholders may provide appropriate representations regarding the transaction but shall not participate in the voting on the transaction. The number of shares with voting rights they represent shall not be included in the total number of valid votes. Voting on the connected transaction shall be carried out by the unconnected shareholders present at the meeting, and a majority of valid votes in favor of the connected transaction shall constitute approval. If the transaction involves a resolution to amend the Articles of Association, increase or decrease the registered capital, or address matters related to the merger, division, dissolution or change in corporate form of the Company, it requires approval from more than two thirds of the valid voting rights. The announcement of the resolution of a shareholders' general meeting shall fully disclose the votes of the unconnected shareholders.

Shareholders (including proxies) may exercise their voting rights in respect of the number of shares held by them which carry the right to vote, and each share shall carry one vote, unless otherwise specified in laws, administrative regulations, departmental rules, regulatory documents and securities regulatory rules of the place where the shares of the Company are listed.

When a shareholders' general meeting deliberates significant matters which have an impact on the interests of small and medium investors, the votes of small and medium investors shall be calculated separately. The separate counting results shall be disclosed responsively and publicly in accordance with relevant laws, regulations and securities regulatory rules of the place where the shares of the Company are listed.

The shares of the Company held by the Company itself shall have no voting right and shall not be included in the total number of shares with voting rights of the shareholders who are present at the shareholders' general meeting.

When any resolution is to be made at the shareholders' general meeting, it shall be adopted by shareholders representing more than half of the voting rights of the shareholders in presence. However, when the shareholders' general meeting makes a resolution to modify the Articles of Association, increase or reduce the registered capital, or address matters relating to the merger, division, dissolution or change in the corporate form, such a resolution shall be approved by more than two thirds of the voting rights (excluding treasury shares, if any)

represented by the shareholders present at the shareholders' general meeting. If the issued share capital of the Company includes shares of different classes, matters involving amendments to the Articles of Association, increase or reduction of registered capital and mergers, divisions, dissolutions or changes in the corporate form of the Company which may affect the rights of the holders of different classes of shares shall, in addition to being resolved by a special resolution of a shareholders' general meeting in accordance with the provisions of this article, be approved by more than two thirds of the voting rights represented by the shareholders present at the class shareholders' general meetings.

Convening, Proposals and Notice of Shareholders' General Meetings

Shareholders' general meetings shall be convened by the Board of Directors. Independent non-executive directors shall be entitled to propose to the Board of Directors to convene an extraordinary shareholders' general meeting. Where independent non-executive directors propose to convene an extraordinary shareholders' general meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, issue a written reply on whether or not to approve the convening of the extraordinary shareholders' general meeting within 10 days upon the receipt of the proposal. If the Board of Directors agrees to convene the extraordinary shareholders' general meeting, it shall serve a notice of such meeting within five days after such resolution is made. If the Board of Directors does not agree to convene the extraordinary shareholders' general meeting, it shall give the reasons and publish an announcement in respect thereof.

The Board of Supervisors shall be entitled to propose to the Board of Directors to convene an extraordinary shareholders' general meeting, and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, reply in writing on whether or not to agree on the convening of the extraordinary shareholders' general meeting within 10 days after receipt of the proposal. If the Board of Directors agrees to convene the extraordinary shareholders' general meeting, it shall serve a notice of such meeting within five days after such resolution is made. Any change to the original proposal set forth in the notice shall be subject to approval by the Board of Supervisors.

On the one-share, one-vote basis, the shareholders holding 10% or more of the Company's shares (excluding treasury shares, if any) separately or in aggregate shall have the right to request the Board of Directors to convene an extraordinary shareholders' general meeting and such proposal shall be made to the Board of Directors in writing. The Board of Directors shall, pursuant to laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, reply in writing on whether or not to agree on the convening of the extraordinary shareholders' general meeting within 10 days upon the receipt of the request.

Where the Board of Directors agrees to convene the extraordinary shareholders' general meeting, it shall serve a notice of such meeting within five days after such resolution is made. Any change to the original request set forth in the notice shall be subject to approval by the relevant shareholders.

If the Board of Directors does not agree to convene the extraordinary shareholders' general meeting or fails to give a written reply within 10 days after receipt of the request, the shareholders holding more than 10% of the Company's shares separately or in aggregate shall have the right to propose to the Board of Supervisors on convening of an extraordinary shareholders' general meeting and such proposal shall be made to the Board of Supervisors in writing.

Where the Board of Supervisors gives consent for convening an extraordinary shareholders' general meeting, a notice of such meeting shall be issued within five days upon the receipt of the request and the changes to the original request set forth in the notice shall be subject to approval by the relevant shareholders.

Where the Board of Supervisors fails to issue a notice of a shareholders' general meeting within the stipulated period, the Board of Supervisors shall be deemed as not convening and chairing the shareholders' general meeting, and the shareholders who hold more than 10% of the Company's shares individually or jointly for more than 90 consecutive days may proceed to convene and chair a shareholders' general meeting on their own initiative.

If the shareholders' general meeting is convened by the Board of Supervisors or shareholders on their own, a written notice shall be issued to the Board of Directors, and such meeting shall be filed with the stock exchange of the place where the shares of the Company are listed.

The shares held by the convening shareholders prior to the announcement of the resolution of the shareholders' general meeting shall not be below 10% of the shares of the Company.

The Board of Supervisors or convening shareholders shall submit the relevant supporting materials to the securities regulatory authority of the place where the Company is registered and the stock exchange of the place where the shares of the Company are listed at the time of the issuance of notice of the shareholders' general meeting as well as of the announcement of the resolutions passed by such meeting.

With regard to the shareholders' general meeting convened by the Board of Supervisors or shareholders on its/their own initiative, the Board and the secretary to the Board shall offer cooperation. The Board of Directors shall provide a share register as of the equity registration date.

Annual shareholders' general meetings shall be convened once a year within six months after the end of the preceding fiscal year. In any of the following circumstances, the Board of Directors shall convene an extraordinary shareholders' general meeting within two (2) months:

(I) the number of directors falls short of the quorum stipulated in the Company Law or is less than two thirds of the number specified in the Articles of Association;

(II) the unrecovered losses of the Company amount to one third of the total amount of its share capital;

(III) when shareholders severally or jointly holding more than 10% shares of the Company request in writing to hold such meeting; (calculated as per the shares of the Company held by the shareholder at the date on which such written request is made by such shareholder)

(IV) when the Board of Directors deems necessary;

(V) when the Board of Supervisors proposes to convene such meeting;

(VI) other circumstances stipulated by laws, administrative regulations, departmental rules, Listing Rules of the Stock Exchange and the Articles of Association occur.

For a shareholders' general meeting to be held, a notice shall be given in written form (including via announcement) to each shareholder 20 days in advance, which shall state the time and venue of the meeting, and the matters to be deliberated at the meeting. For an extraordinary shareholders' general meeting, a notice shall be given in written form (including via announcement) to each shareholder 15 days in advance, unless all shareholders agree that the notice of this meeting may be exempted from the time limit or notification rules for notices.

The content of a proposal shall fall within the scope of the shareholders' general meeting's powers, have a clear topic and specific resolution items, and comply with relevant provisions of laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed, and the Articles of Association of the Company.

Shareholder(s) severally or jointly holding more than 1% shares of the Company may submit written provisional proposals to the Board of Directors 10 days before a shareholders' general meeting is convened. The provisional proposals shall cover specific topics for discussion and specific issues to be resolved. The Board of Directors shall notify other shareholders within two days after receiving the proposal, announce the content of the provisional proposal, and submit the provisional proposal to the shareholders' general meeting for deliberation, except where the provisional proposal violates laws, administrative regulations or the Company's Articles of Association, or falls outside the scope of the powers of the shareholders' general meeting. Regarding the publication of supplementary notices for shareholders' general meeting, if there are special provisions in the securities regulatory rules of the place where the shares of the Company are listed, and provided that they do not violate

applicable domestic laws and regulations such as the Company Law and the Guidelines for Articles of Association of Listed Companies, such provisions shall prevail. If, in accordance with the securities regulatory rules of the place where the shares of the Company are listed, the shareholders' general meeting needs to be postponed due to the publication of supplementary notices for the shareholders' general meeting, the convening of the shareholders' meeting shall be postponed in accordance with the securities regulatory rules of the place where the shares of the Company are listed.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of shareholders' general meeting or add any new proposal after the said notice is served via announcement.

The shareholders' general meeting shall not make resolutions on matters not listed in the notice or matters that do not comply with relevant provisions of laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed, and the Articles of Association of the Company.

The notice of a shareholders' general meeting shall specify:

(I) the time, venue and duration of the meeting;

(II) the matters and proposals submitted for consideration at the meeting;

(III) a clear statement that all shareholders of ordinary shares (including shareholders of preferred shares whose voting rights have been restored) are entitled to attend the shareholders' general meeting and appoint proxies in writing to attend and vote at such meeting and that such proxies need not be shareholders of the Company;

(IV) the equity registration date of shareholders entitled to attend the shareholders' general meeting;

(V) the name and telephone number of the coordinator of the meeting;

(VI) where a shareholders' general meeting is held via online or other means, the voting time and voting procedure of such means.

Notices or supplementary notices of shareholders' general meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of shareholders' general meetings are served.

The Company allows hybrid shareholders' general meetings, enabling shareholders to attend the meetings virtually through technological means. The Company may also allow shareholders to vote via online or other electronic means, and shall clearly state in the notice of the shareholders' general meeting the voting time and voting procedures for the online or other means. The time to start voting at a shareholders' general meeting held via online or other means shall not be earlier than 3:00 PM of the day preceding the date of the onsite shareholders' general meeting or later than 9:30 AM of the date of the onsite shareholders' general meeting, and shall not conclude earlier than 3:00 PM of the date of the onsite shareholders' general meeting.

The interval between equity registration date and the date of the meeting shall not be more than 7 working days. The equity registration date shall not be changed once confirmed.

DIRECTORS AND SENIOR MANAGEMENT

Appointment, Removal and Retirement

A director is elected or replaced by the shareholders' general meeting, and his/her positions may be terminated by the shareholders' general meeting before the expiration of his/her terms of office. The term of office for directors is three years. Upon the expiration of a director's term, they may be re-elected for consecutive terms in accordance with the securities regulatory rules of the place where the shares of the Company are listed. The Board of Directors has the power to appoint any person to fill a temporary vacancy on the Board or to increase the number of directors on the Board. Any person so appointed by the Board to fill a temporary vacancy or increase the Board's size shall hold office only until the issuer's first annual shareholders' general meeting following their appointment and shall be eligible for re-election at that meeting.

If any director violates the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association in fulfilling his/her duties, thereby incurring any loss of the Company, the said director shall be liable for compensation. Any director who has left his office without authorization or is negligent in performing his duties before his term of office expires and thereby caused the Company to incur a loss shall be liable for compensation.

Directors shall observe laws, administrative regulations and the Articles of Association, and fulfill the following obligations of loyalty:

(I) not to abuse their official powers to accept bribes or other unlawful income, and not to expropriate the Company's property;

(II) not to embezzle monies of the Company;

(III) not to open in their own names or in others' names any bank account for the purpose of depositing any of the Company's assets or monies;

(IV) not to lend monies of the Company to other persons or provide guarantee for other persons with the property of the Company counter to the Articles of Association or without the consent of the shareholders' general meeting or the Board of Directors;

(V) not to conclude any contract or conduct any transaction with the Company counter to the Articles of Association or without the consent of the shareholders' general meeting;

(VI) without the consent of the shareholders' general meeting, not to take advantage of their positions to seek for themselves or others any business opportunities that are due to the Company, or conduct for themselves or others any businesses similar to those of the Company;

(VII) not to take as their own any commission for any transaction with the Company;

(VIII) not to disclose the Company's secrets without authorization, not to leak any significant information that has not been disclosed, and not to seek illegal gains taking advantage of insider information; and to fulfill the non-competition obligations agreed upon with the Company after leaving the Company;

(IX) not to use their connected relations to damage the interests of the Company;

(X) to fulfill other duties of loyalty specified by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Earnings obtained by directors counter to the provisions above shall belong to the Company, and the directors shall be liable for compensation for any loss incurred to the Company.

The provisions on the directors' obligations of loyalty shall also apply to senior management members.

Directors shall observe laws, administrative regulations and the Articles of Association, and fulfill the following duties of diligence:

(I) to exercise the rights conferred by the Company with due discretion, care and diligence to ensure the business operations of the Company comply with State laws, administrative regulations and economic policies, and do not go beyond the business scope specified in the business license of the Company;

(II) to treat all shareholders impartially;

(III) to keep informed of the business operations and management of the Company;

(IV) to sign written opinions on the regular reports of the Company; to ensure the information disclosed by the Company is true, accurate and complete;

(V) to honestly provide the Board of Supervisors with relevant information and data, and not to prevent the Board of Supervisors or supervisors from exercising their functions and powers;

(VI) to fulfill other duties of diligence specified by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The provisions in (IV), (V) and (VI) on the directors' duties of diligence shall also apply to senior management members.

The Company shall have one general manager, several deputy general managers, one chief financial officer and one secretary to the Board. The general manager, deputy general managers, chief financial officer and the secretary to the Board are senior management members of the Company and are appointed or dismissed by the Board. The Board of Directors of the Company may decide that a member of the Board of Directors concurrently serve as the manager.

The Company shall have a secretary to the Board to see to the preparations for shareholders' general meetings and Board meetings, keeping of documentation and shareholders' data, handling of matters relating to information disclosure, etc.

The secretary to the Board shall observe the laws, administrative regulations, departmental rules and the Articles of Association.

If any member of senior management violates the laws, administrative regulations, departmental rules or the Articles of Association in fulfilling his/her duties to the Company, thereby incurring any loss of the Company, the said member shall be liable for compensation.

The senior management of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If the senior management members of the Company fail to faithfully perform their duties or violate the duty of good-faith, causing damage to the interests of the Company and the holders of publicly-traded shares, they shall bear compensation liability in accordance with the law.

When a director, supervisor or senior management member directly or indirectly enters into a contract or conducts a transaction with the Company, they shall report the matters related to the contract-making or transaction to the Board of Directors and obtain the approval of the Board of Directors through a resolution in accordance with the provisions of the Articles of Association.

The provisions of the preceding paragraph shall apply when a close relative of a director, supervisor or senior management member, an enterprise directly or indirectly controlled by a director, supervisor, senior management member or their close relatives, or an affiliated person having other affiliated relationships with a director, supervisor or senior management member enters into a contract or conducts a transaction with the Company.

A director, supervisor or senior management member shall not take advantage of their positions to seek for themselves or for others business opportunities that should belong to the Company. However, this does not apply in any of the following circumstances:

(I) they have reported the matter to the Board of Directors and obtained the approval of a board resolution in accordance with the Articles of Association;

(II) the Company is unable to take advantage of such business opportunities according to laws, administrative regulations or the provisions of the Articles of Association.

A director, supervisor or senior management member shall not operate, either on their own account or for others, businesses of the same kind as those of the Company where they serve, unless they report the matter to the Board of Directors and obtain the approval of a board resolution in accordance with the Articles of Association.

Any income derived by directors, supervisors and senior management members in violation of the above-mentioned provisions shall belong to the Company.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT

Accounting and Auditing

The Company shall formulate its financial and accounting systems in accordance with relevant laws, administrative regulations and the provisions of the relevant financial authority of the State Council.

The Company shall submit and disclose its annual report within four months after the end of each fiscal year in accordance with relevant regulatory requirements, and submit and disclose its interim report within three months after the end of the first half of each fiscal year in accordance with relevant regulatory requirements.

The aforesaid annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the shares of the Company are listed.

Profit Distribution

When the Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits to the Company's statutory reserve fund. Such allocation may be stopped when the statutory reserve fund of the Company has accumulated to at least 50% of the registered capital of the Company.

If the statutory reserve fund of the Company is insufficient to recover the losses of the preceding year, the profits of the current year shall first be used to recover the said losses before being allocated to the statutory reserve fund as per the preceding paragraph.

After statutory reserve fund is withdrawn out of the after-tax profits, discretionary reserve fund may also be withdrawn out of the same as per a resolution made at a shareholders' general meeting.

The after-tax profits remaining after recovery of losses and withdrawal of reserve funds may be distributed to the shareholders in proportion to their shareholding percentages.

The shares of the Company held by the Company shall not be subject to profit distribution.

The reserve funds of the Company shall be used to make up for the losses, enhance the operating scale or increase the registered capital of the Company.

When using the reserve funds to make up for the Company's losses, the Company shall first use the discretionary reserve fund and the statutory reserve fund. If the losses cannot be fully made up, the Company may then use the capital reserve fund in accordance with relevant regulations.

When converting the statutory reserve fund into an increase in the registered capital, the remaining amount of this reserve fund shall not be less than 25% of the Company's registered capital before the conversion.

Merger, Division, Dissolution and Liquidation of the Company

For a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify all creditors within 10 days after adoption of the merger resolution and shall make an announcement on a qualified media and the HKEXnews website (**www.hkexnews.hk**) within 30 days. The creditors may require the Company to repay debts or provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors haven't received the notice.

Upon merger, the credits and liabilities of each of the merged parties shall be assumed by the surviving party or the newly established company.

Where the Company is divided, its properties shall be divided accordingly.

Where the Company is divided, a balance sheet and an inventory of assets shall be prepared. The Company shall notify all creditors within 10 days after adoption of the division resolution and shall make an announcement on a qualified media and the HKEXnews website (**www.hkexnews.hk**) within 30 days.

The Company dissolves for the following reasons:

(I) the term of operation specified in the Articles of Association expires or any other circumstance for dissolution specified in the Articles of Association arises;

(II) the shareholders' general meeting resolves to dissolve the Company;

(III) dissolution is necessary due to a merger or division of the Company;

(IV) the business license is revoked according to law, or the Company is ordered to close or is cancelled;

(V) if the Company gets into serious trouble in operations and management and its continued existence may incur material losses of the interests of the shareholders, and no solution can be found through any other channel, the shareholders holding more than 10% of the total voting rights of the Company may request the people's court to dissolve the Company.

If a company is dissolved due to the circumstances stipulated in items (1), (2), (4) or (5) of Paragraph 1 of Article 229 of the Company Law, it shall be liquidated. Directors are the liquidation obligors of the Company. They shall form a liquidation team to conduct liquidation within 15 days from the date when the grounds for dissolution occur.

The Company's liquidation group is composed of directors, except for those selected by a resolution of the shareholders' general meeting.

If the liquidator fails to perform liquidation duties in a timely manner, causing losses to the Company or creditors, he/she shall be liable for compensation.

The Company shall carry out liquidation in accordance with the provisions of the first paragraph of the preceding article. If a liquidation group is not established for liquidation within the specified period or if the liquidation group is established but fails to carry out the liquidation, interested parties may request the people's court to designate relevant personnel to form a liquidation group for the purpose of liquidation. If the Company is dissolved due to the revocation of its business license, being ordered to close, or being revoked, the department or company registration authority that made the decision to revoke the business license, order the closure, or revoke the Company may apply to the people's court to designate relevant personnel to form a liquidation group for the purpose of liquidation.

The liquidation group shall exercise the following functions and powers during the course of the liquidation:

(I) to liquidate the Company's assets and produce a balance sheet and schedule of assets;

(II) to notify the Company's creditors by way of notice or public announcement;

(III) to manage and clear the remaining business of the Company;

(IV) to pay outstanding taxes and any tax liability incurred in the course of the liquidation;

(V) to settle claims and debts;

(VI) to deal with the surplus assets remaining after the Company's debts have been repaid; and

(VII) to represent the Company in any civil litigation to which it is a party.

The liquidation group shall, within ten days of its formation, notify the Company's creditors of its formation, and shall make a public announcement in qualified media and on the HKEX website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 60 days of its formation. Any creditor shall, within 30 days of receipt of a notice or within 45 days of the public announcement in the event that the relevant creditor does not receive a notice, make a claim to the liquidation group on the debt owed to it/him.

The liquidation group shall, after liquidating the assets of the Company and producing a balance sheet and schedule of assets, draft a liquidation plan and present it to the shareholders' general meeting or to the people's court for confirmation.

Any remaining assets after payment of liquidation expenses, employee wages, social insurance premiums and statutory indemnity premiums, outstanding taxes and outstanding debts may be distributed on a prorate basis in accordance with the respective proportion of stock held by each shareholder.

The Company in liquidation shall continue in existence during the course of the liquidation but may not conduct any business unconnected with the liquidation. No assets of the Company may be distributed to any shareholder s prior to repaying debts in accordance with the provisions.

Where, after liquidating the assets of the Company and formulating a balance sheet and schedule of assets, the liquidation group finds that the Company's assets are insufficient to meet its obligations in full, it shall file a bankruptcy petition with the people's court.

Where the people's court declares the Company bankrupt by a ruling, the liquidation group shall hand over administration of the liquidation to the people's court.

Following completion of the liquidation of the Company, the liquidation group shall draft a liquidation report and submit it to the shareholders' general meeting or to the people's court for confirmation, submit it to the company registration authority to apply for the cancellation of the registration of the Company, and publish a public announcement relating to the termination of the Company.

OTHER SIGNIFICANT PROVISIONS RELATED TO THE COMPANY AND ITS SHAREHOLDERS

Board of Directors

The Board of Directors shall exercise the following functions and powers:

(I) to convene the shareholders' general meetings and report to the shareholders' general meetings on its work;

(II) to execute resolutions of the shareholders' general meetings;

(III) to determine the Company's operational plans and investment plans;

(IV) to formulate the Company's profit distribution plans and loss recovery plans;

(V) to formulate the Company's plans on the increase or reduction of its registered capital and on the issuance of corporate bonds;

(VI) to formulate the Company's plans on the merger, division, dissolution or transformation of the Company;

(VII) to make decisions on the establishment of the Company's internal management departments;

(VIII) to decide on the appointment and dismissal and remunerations of the general manager and the secretary to the Board of the Company as nominated by the chairman of the Board of Directors; the deputy general manager, chief financial officer and other senior management as nominated by the chairman of the Board of Directors or the general manager after consideration and approval by the nomination committee;

(IX) to develop the company's basic management system; and

(X) to decide on the Company's investment in other enterprises within the specified limits;

(XI) to formulate proposals for amendments to the Articles of Association;

(XII) to manage the Company's information disclosure matters;

(XIII) to decide on the employment or dismissal of accounting firms responsible for audit business of the Company;

(XIV) to listen to the work reports of the Company's managers and review their performance;

(XV) to consider contracts or transactions entered into directly or indirectly between the Company and directors, supervisors, senior management and enterprises controlled by them, or close relatives of directors, supervisors and senior management and enterprises controlled by those relatives, or other related parties associated with directors, supervisors, and senior management;

(XVI) to consider matters that are required by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed, or the Articles of Association to be determined by the Board of Directors;

(XVII) to exercise other functions and powers granted by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed, or the Articles of Association.

Matters that exceed the scope of authority granted by the shareholders' general meeting shall be submitted to the shareholders' general meeting for consideration.

No meeting of the Board of Directors may be held unless a majority of directors are present. Any resolution of the Board of Directors shall be adopted by a majority of directors.

Each director shall have one vote in any resolution put to a vote of the Board of Directors.

If a director has a related party relationship with the enterprise or individual involved in the matters being resolved at the meeting of the Board of Directors, that director shall promptly report in writing to the Board of Directors. Directors with a related party relationship shall not exercise their voting rights on that resolution nor act as a proxy for other directors to exercise voting rights. A meeting of the Board of Directors may be held with the attendance of a majority of the unrelated directors, and the resolutions made at the meeting of the Board of Directors must be approved by a majority of the unrelated directors. If the number of unrelated directors attending the meeting of the Board of Directors is less than three, the matter shall be submitted to the shareholders' general meeting for consideration. If there are any additional restrictions under laws, regulations, or securities regulatory rules of the place where the shares of the Company are listed regarding directors' participation in meetings of the Board of Directors and voting, those provisions shall apply.

The chairman of the Board of Directors shall exercise the following functions and powers:

(I) to convene and preside over meetings of the Board of Directors, review the implementation of meetings of the Board of Directors, and report on work to the shareholders' general meeting and the Board of Directors;

(II) to execute resolutions of the shareholders' general meeting and the Board of Directors;

(III) to propose the appointment or dismissal of the Company's general manager, secretary to the Board and other senior management;

(IV) to decide on the appointment or dismissal of management personnel, except for those that should be determined by the Board of Directors;

(V) to exercise the powers of the legal representative as specified in the Articles of Association.

The Board of Directors shall make meeting minutes of the matters discussed at the meeting, and the directors present shall sign the meeting minutes.

The meeting of the Board of Directors minutes shall be kept as part of the Company's archives for a period of not less than 10 years.

The meeting of the Board of Directors minutes shall include the following content:

(I) time and place of the meeting and name of the convener;

(II) name of directors present at the meeting and name of director (agent) appointed to be present at the meeting of the Board of Directors on behalf of others;

(III) agenda of the meeting;

(IV) key points of the directors' speeches;

(V) the voting method and results for each resolution (the voting results shall specify the number of votes for, against, or abstentions);

(VI) any other matters that attending directors believe should be recorded.

Special Committees of the Board of Directors

The Board of Directors of the Company shall establish the Audit, Remuneration and Nomination Committees, and may establish other special committees, such as a Strategy Committee, as needed. These special committees are accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authority granted by the Board of Directors. Proposals from the special committees shall be submitted to the Board of Directors for consideration and decision. All members of the special committees shall consist solely of directors. In particular, the Audit Committee shall have three or more members, all of whom shall be non-executive directors. The majority of members in the Nomination Committee and Remuneration Committee shall be independent non-executive directors. The Board of Directors shall be responsible for formulating the working rules for its special committees to regulate their operations. If there are other provisions regarding the composition of special committees in the securities regulatory rules of the place where the shares of the Company are listed, those provisions shall prevail.

The Board of Directors of the Company comprises nine Directors, including six non-independent non-executive directors and three independent non-executive directors, who are elected by the shareholders' general meeting. Among the independent non-executive directors, there should be at least one professional in finance or accounting as defined by the Listing Rules of the Stock Exchange.

The Board of Directors shall have one chairman and may have a vice-chairman. The chairman and vice-chairman are elected by a majority vote of all the directors on the Board of Directors. The chairman of the Board of Directors shall convene and preside over meetings of the Board of Directors and examine the implementation of resolutions of the Board of Directors. The vice-chairman shall assist the chairman in his/her work. If the chairman is unable or fails to perform his/her duties, the vice-chairman shall perform the duties. If the vice-chairman is unable or fails to perform his/her duties, a director jointly nominated by a majority of the directors shall perform the duties.

General Manager

The general manager shall serve a term of three years and may be re-elected for consecutive terms.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(I) to be in charge of the Company's production, operation and management, and to organize the implementation of the resolutions of the Board of Directors;

(II) to organize the implementation of the Company's annual business plan and investment plans;

(III) to draft plans for the establishment of the Company's internal management structure;

(IV) to draft the Company's basic management system;

(V) to formulate specific rules and regulations for the Company;

(VI) to propose the appointment or dismissal of the Company's deputy general manager and chief financial officer;

(VII) to exercise other functions and powers conferred by the Board of Directors.

The general manager shall attend meetings of the Board of Directors.

The general manager shall formulate working rules of the general manager, which shall be implemented after being approved by the Board of Directors.

The working rules of the general manager shall contain the following contents:

(I) conditions, procedure and participants of the general manager office's meeting;

(II) responsibilities and work allocation of the general manager and other senior management of the Company;

(III) use of funds and assets of the Company, scope of authorization to enter into contracts and reporting policies regarding the Board of Directors and the Board of Supervisors; and

(IV) other matters which the Board of Directors deems necessary.

The general manager may resign before expiry of his/her term of office. The specific procedures and methods for the resignation of the general manager shall be specified in the employment contract concluded by the general manager and the Company.

The deputy general manager shall assist the general manager in his/her work, be responsible for related tasks upon entrustment by the general manager, and issue relevant business documents within the scope of his/her duty. When the general manager is unable to exercise his/her authority, the deputy general manager may act on behalf of the general manager as entrusted.

Secretary to the Board

The Company shall have a secretary to the Board, who shall be responsible for the preparation of the shareholders' general meetings and meetings of the Board of Directors, preservation of documents and management of the information of the Company's shareholders, and handle matters related to information disclosure, etc.

The secretary to the Board shall observe pertinent provisions of laws, administrative regulations, department rules and the Articles of Association.

Board of Supervisors

The directors, general manager and other senior management shall not act concurrently as supervisors.

Each supervisor shall serve for a term of three years, which term is renewable upon reelection upon expiry.

The Company shall have a Board of Supervisors consisting of three members, of whom two shall be elected by the shareholders' general meeting, and one shall be an employee representative of the Company. The employee representative in the Board of Supervisors shall be elected by the employee representative meeting.

The Board of Supervisors shall have one chairman and may have a vice-chairman. The chairman and vice-chairman of the Board of Supervisors are elected by a majority vote of all the supervisors. The chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his/her duties, the vice-chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. If the vice-chairman of the Board of Supervisors is unable or fails to perform his/her duties, a supervisor jointly nominated by a majority of the supervisors shall convene and preside over meetings of the Board of Supervisors.

The Board of Supervisors shall exercise the following functions and powers:

(I) to review the Company's financial position;

(II) to supervise the directors and senior management's acts in performing duties of the Company, propose a removal of any director or senior management in violation of any laws, administrative regulations, the Articles of Association or resolution adopted at the shareholders' general meeting;

(III) to demand any director or senior management who acts in a manner which is harmful to the Company's interest to rectify such behavior;

(IV) to propose to convene an extraordinary shareholders' general meeting, and to convene and preside over shareholders' general meetings where the Board of Directors fails to perform its duty to do so as required by the Company Law;

(V) to submit proposals to shareholders' general meetings;

(VI) to initiate legal proceedings against any director or senior management according to Article 189 of the Company Law;

Meetings of the Board of Supervisors shall be held at least once every six months. The Board of Supervisors may propose to convene an extraordinary meeting of the Board of Supervisors.

AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In any of the following circumstances, the Company shall amend the Articles of Association:

(I) The Articles of Association is contradictory to any provision of the amended version of the Company Law or other applicable laws or administrative regulations or securities regulatory rules of the place where the shares of the Company are listed;

(II) There is any change to the Company's situation and is inconsistent with any matter recorded in the Articles of Association;

(III) A shareholders' general meeting adopts a resolution for amendment to the Articles of Association.

Amendments to the Articles of Association adopted by a resolution of the shareholders' general meeting which are subject to approvals from relevant competent authority shall be submitted to the competent authority for approval; if there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with the law.

The Board of Directors shall amend the Articles of Association according to the resolution of the shareholders' general meeting for amendments hereof and the approval opinions of relevant competent authority.

If amendments to the Articles of Association need to be disclosed pursuant to laws and regulations, they shall be disclosed accordingly.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was established as a limited liability company in the PRC on March 31, 2011 and was converted into a joint stock limited company on May 25, 2023 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB404,092,760.

Our registered place of business in Hong Kong is at Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We have been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance. Ms. Wong Wai Yee, Ella at Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, we 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 "Regulatory Overview" and Appendix IV to this Document, respectively.

Changes in the Share Capital of our Company

Save as disclosed in the sections headed "History, Development and Corporate Structure — [**REDACTED**] Investments" in this Document, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiary is set out in the Accountants' Report in Appendix I to this Document.

There has been no alterations of share capital of our subsidiary within the two years preceding the date of this Document.

Resolutions of our Shareholders

Pursuant to the extraordinary general meeting of our Shareholders in March 2025, it was resolved, among others, and the following was approved:

(a) the issue of H Shares with a nominal value of RMB1.00 each and the [**REDACTED**] of such H Shares on the Stock Exchange;

(b) the number of H Shares to be issued pursuant to the [**REDACTED**], and the grant to the [**REDACTED**] of the [**REDACTED**] of not more than 15% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) conditional upon the completion of the [**REDACTED**], [**REDACTED**] Unlisted Shares held by certain existing Shareholders will be converted into H Shares;

(d) subject to the completion of the [**REDACTED**], the Articles of Association have been approved and adopted, which shall become effective on the [**REDACTED**], and our Board has been authorized to amend the Articles of Association to the extent necessary in accordance with any comments from the relevant regulatory authorities; and

(e) our Board has been authorized to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares and the [**REDACTED**].

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) was entered into by our Group within the two years preceding the date of this Document and is or may be material:

(a) the Hong Kong [**REDACTED**] Agreement.

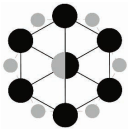
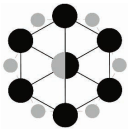
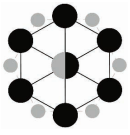
Intellectual Property Rights

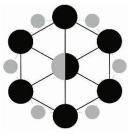
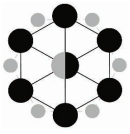
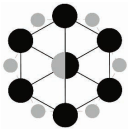
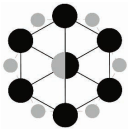
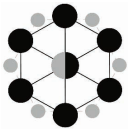
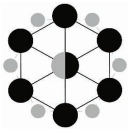
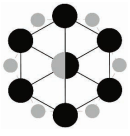
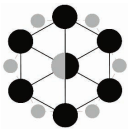
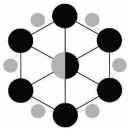
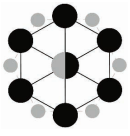
As of the Latest Practicable Date, our Group has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

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:

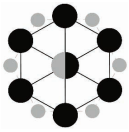
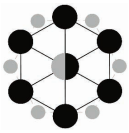
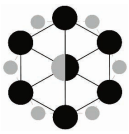
No.	Trademark Registered	Owner	Registration Number	Place of Registration
1 . . .	EpiWorld	The Company	69365678 69359904	PRC
2 . . .	EpiWorld	The Company	306183090	Hong Kong
3 . . .	EpiWorld	The Company	02319662 02320519	Taiwan
4 . . .	EpiWorld	The Company	1770331	European Union
5 . . .	EpiWorld	The Company	1770331	Australia
6 . . .	EpiWorld	The Company	1770331	Malaysia
7 . . .	EpiWorld	The Company	1770331	Switzerland
8 . . .	EpiWorld	The Company	1770331	Japan
9 . . .	EpiWorld	The Company	1770331	New Zealand
10. . .	EpiWorld	The Company	1770331	Singapore
11. . .	EpiWorld	The Company	1770331	United Kingdom
12. . .	EpiWorld	The Company	1770331	Russia
13. . .	瀚天天成 EpiWorld	The Company	69541459 69367035	PRC
14. . .	瀚天天成 EpiWorld	The Company	306183108	Hong Kong
15. . .	瀚天天成 EpiWorld	The Company	02319663 02320520	Taiwan
16. . .	瀚天天成 EpiWorld	The Company	7683149	United States

No.	Trademark Registered	Owner	Registration Number	Place of Registration
17. . .	瀚天天成 EpiWorld	The Company	1771680	European Union
18. . .	瀚天天成 EpiWorld	The Company	1771680	Australia
19. . .	瀚天天成 EpiWorld	The Company	1771680	Malaysia
20. . .	瀚天天成 EpiWorld	The Company	1771680	Switzerland
21. . .	瀚天天成 EpiWorld	The Company	1771680	Japan
22. . .	瀚天天成 EpiWorld	The Company	1771680	New Zealand
23. . .	瀚天天成 EpiWorld	The Company	1771680	Singapore
24. . .	瀚天天成 EpiWorld	The Company	1771680	United Kingdom
25. . .	瀚天天成 EpiWorld	The Company	1771680	Russia
26. . .		The Company	69367847 69372271	PRC
27. . .		The Company	306183081	Hong Kong
28. . .		The Company	02319661 02320518	Taiwan

No.	Trademark Registered	Owner	Registration Number	Place of Registration
29. . .		The Company	7683148	United States
30. . .		The Company	1771658	European Union
31. . .		The Company	1771658	Australia
32. . .		The Company	1771658	Malaysia
33. . .		The Company	1771658	Switzerland
34. . .		The Company	1771658	Japan
35. . .		The Company	1771658	New Zealand
36. . .		The Company	1771658	Singapore
37. . .		The Company	1771658	United Kingdom
38. . .		The Company	1771658	Russia
39. . .	EpiWorld	The Company	61180379 12043688 61177240	PRC
40. . .	EpiWorld	The Company	1205809	European Union

No.	Trademark Registered	Owner	Registration Number	Place of Registration
41. . .	EpiWorld	The Company	UK00801205809	United Kingdom
42. . .	EpiWorld	The Company	1205809	Japan
43. . .	EpiWorld	The Company	4737130	United States
44. . .	瀚天天成	The Company	61170360 61182586	PRC

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Owner	Place of Registration
1 . . .	EpiWorld	The Company	United States
2 . . .	EpiWorld	The Company	Republic of Korea
3 . . .	EpiWorld	The Company	India
4 . . .	EpiWorld	The Company	Canada
5 . . .	瀚天天成 EpiWorld	The Company	Republic of Korea
6 . . .	瀚天天成 EpiWorld	The Company	India
7 . . .	瀚天天成 EpiWorld	The Company	Canada
8 . . .		The Company	Republic of Korea
9 . . .		The Company	India
10. . .		The Company	Canada

Patents

As of the Latest Practicable Date, we are the owner of the following material patents, details of which are as follows:

No.	Patent description	Registered Owner	Place of Registration
1. . . .	A Method for Reducing Growth Defects in SiC Epitaxial Wafers and a SiC Substrate (一種降低碳化硅外延片生長缺陷的方法及碳化硅襯底)	Company	PRC
2. . . .	A Control Method for Growth of SiC Epitaxial (一種碳化硅外延生長的控制方法)	Company	PRC
3. . . .	SiC Step Flow Low-Speed Growth Method for Chemical Potential Regulation Growth Monomer under Non-Equilibrium Condition (非平衡條件下化學勢調控生長單體的SiC台階流低速生長方法)	Company	PRC
4. . . .	A Method for Reducing Surface Defects of SiC Epitaxial Film (一種降低碳化硅外延薄膜表面缺陷的方法)	Company	PRC
5. . . .	A Method for Reducing Growth Defects in SiC Epitaxial Wafers and a SiC Substrate (一種降低碳化硅外延片生長缺陷的方法及碳化硅襯底)	Company	PRC

Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1. . . .	**http://www.epiworld.com.cn/**	the Company	June 21, 2026

Save as disclosed in this section headed "Intellectual Property Rights", as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

Interests of our Directors, Supervisors and chief executive in the Company and our associated corporations

Save as disclosed in the section headed "Substantial Shareholders" in this Document, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), so far as our Directors are aware, none of our Directors, Supervisors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interests of the substantial shareholders in the Shares

Save as disclosed in "Substantial Shareholders" in this Document, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Directors are not aware of any other person (not being a Director, Supervisor or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Particulars of Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors [has] entered into a service contract or a letter of appointment with our Company.

Save as disclosed in this section, we have not entered into, and do not propose to enter into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management" and Note 14 to the Accountants' Report set out in Appendix I to this Document for the three years ended December 31, 2024 and the five months ended May 31, 2025, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

Disclaimers

(a) save as disclosed in the section headed "Substantial Shareholders" in this Document and this section, none of our Directors, Supervisors or our chief executive has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the 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 us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Stock Exchange;

(b) save as disclosed in the section headed "Substantial Shareholders" in this Document, none of our Directors or Supervisors is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the [**REDACTED**] and the conversion of Unlisted Shares into H Shares (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) none of our Directors, Supervisors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group for each year/period during the Track Record Period; and

(d) none of our Directors, Supervisors or any of the parties listed in "Qualifications of Experts" of 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.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Litigation

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 was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group's results of operations or financial conditions, taken as a whole.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

Promoter

The promoters of the Company are shareholders of our Company as of May 25, 2023 immediately before our conversion into a joint stock limited liability company. Within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the [**REDACTED**] and the related transactions described in this Document.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since May 31, 2025 (being the date to which the latest consolidated financial statements of our Group were prepared).

Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this Document are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Jingtian & Gongcheng	Legal adviser to our Company as to PRC law
BDO Limited	Certified Public Accountants Registered Public Interest Entity Auditor
China Insights Industry Consultancy Limited	Independent industry consultant
Pillsbury Winthrop Shaw Pittman LLP	U.S. export control and sanctions counsel

As of the Latest Practicable Date, none of the experts named above had 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 any member of our Group.

Consents of Experts

Each of the experts as referred to "Qualifications of Experts" of this Appendix has given and has not withdrawn their respective written consents to the issue of this Document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Sole Sponsor, the Sole Sponsor's fees payable by us to the Sole Sponsor in respect of its services as sponsor in connection with the [**REDACTED**] on the Stock Exchange is USD500,000.

Binding Effect

This Document shall have the effect, if an [**REDACTED**] is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

(a) except in connection with our A share listing application as disclosed in the section headed "History, Development and Corporate Structure" in this Document and the [**REDACTED**], within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

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 the material contract referred to in "Statutory and General Information — Further Information about our Business — Summary of Material Contract" in Appendix V to this Document; and

(b) the written consents referred to in "Statutory and General Information — Other Information — Consents of Experts" in Appendix V to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **http://www.epiworld.com.cn/** during a period of 14 days from the date of this Document:

(a) the Articles of Association;

(b) the Accountants' Report from BDO Limited, 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 December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025;

(d) the report from BDO Limited on the unaudited [**REDACTED**] financial information of our Group, the text of which is set out in Appendix II to this Document;

(e) the material contract referred to in "Appendix V — Statutory and General Information — Further Information about our Business — Summary of Material Contract" in this Document;

(f) the written consents referred to in "Appendix V — Statutory and General Information — Other Information — Consents of Experts" in this Document;

(g) the service contracts and letters of appointment referred to in "Appendix V — Statutory and General Information — Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders — Particulars of Directors' and Supervisors' Service Contracts" in this Document;

(h) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;

(i) the legal memorandum on U.S. outbound investment rule matters issued by Pillsbury Winthrop Shaw Pittman LLP;

(j) the industry report issued by China Insights Industry Consultancy Limited referred to in "Industry Overview" in this Document; and

(k) a copy of the following PRC laws, together with unofficial English translations:

(i) the PRC Company Law;

(ii) the PRC Securities Law; and

(iii) the Overseas Listing Trial Measures.