廣東天域半導體股份有限公司
GUANGDONG TIANYU SEMICONDUCTOR CO., LTD.

TYSiC

(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock code: 2658

GLOBAL OFFERING

Sole Sponsor, Sponsor-Overall Coordinator, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CITIC SECURITIES

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

TYSiC

Guangdong Tianyu Semiconductor Co., Ltd.
廣東天域半導體股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	30,070,500 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	3,007,050 H Shares (subject to reallocation)
Number of International Offer Shares	:	27,063,450 H Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK$58.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong Dollars and subject to refund)
Nominal Value	:	RMB1.00 per H Share
Stock Code	:	2658

Sole Sponsor, Sponsor-Overall Coordinator, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CITIC SECURITIES

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司　CMBI 招銀国际　广发证券 GF SECURITIES

Joint Bookrunners

ABCI 農銀國際　滿好證券 CHEER UNION SECURITIES LTD　兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL　中国北方证券集团 CNI SECURITIES GROUP　富途證券 FUTU Securities International　ICBC 工银国际　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED　申萬宏源香港 SWHYHK　國金證券(香港)有限公司 SINOLINK SECURITIES (HK) CO. LTD.　星河證券 STARRIVER SECURITIES　太陽證券有限公司 SUN SECURITIES LIMITED　老虎證券　TradeGo Markets

A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII" — Documents Delivered to the Registrar of Companies and Documents on Display" of this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price will be HK$58.00 per H Share, unless otherwise announced. Applicants for the Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the Offer Price of HK$58.00 per H Share, together with brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565%.

The Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at http://www.sicty.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **http://www.sicty.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

November 27, 2025

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **http://www.sicty.com**. You may download and print from these website addresses if you want a printed copy of this prospectus.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is an HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*
50	2,929.24	1,000	58,584.94	20,000	1,171,698.60	700,000	41,009,451.00
100	5,858.50	1,500	87,877.40	30,000	1,757,547.90	800,000	46,867,944.00
150	8,787.73	2,000	117,169.85	40,000	2,343,397.20	900,000	52,726,437.00
200	11,716.99	2,500	146,462.33	50,000	2,929,246.50	1,000,000	58,584,930.00
250	14,646.23	3,000	175,754.79	60,000	3,515,095.80	1,503,500(1)	88,082,442.25
300	17,575.48	3,500	205,047.25	70,000	4,100,945.10		
350	20,504.73	4,000	234,339.72	80,000	4,686,794.40		
400	23,433.97	4,500	263,632.19	90,000	5,272,643.70		
450	26,363.21	5,000	292,924.66	100,000	5,858,493.00		
500	29,292.46	6,000	351,509.58	200,000	11,716,986.00		
600	35,150.96	7,000	410,094.51	300,000	17,575,479.00		
700	41,009.45	8,000	468,679.45	400,000	23,433,972.00		
800	46,867.94	9,000	527,264.36	500,000	29,292,465.00		
900	52,726.44	10,000	585,849.30	600,000	35,150,958.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement on the website of our Company at ***http://www.sicty.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences . . . . .9:00 a.m. on Thursday, November 27, 2025

Latest time for completing electronic applications via the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**(2) . . . . .11:30 a.m. on Tuesday, December 2, 2025

Application lists of the Hong Kong Public Offering open(3) . . . . .11:45 a.m. on Tuesday, December 2, 2025

Latest time for (a) completing full payment of application monies via the **HK eIPO White Form** service, or; (b) giving **electronic application instructions** to HKSCC(4) . . . . 12:00 noon on Tuesday, December 2, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit **HKSCC EIPO** applications on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close(3) . . . . 12:00 noon on Tuesday, December 2, 2025

Announcement of:

- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on the website of our Company at **http://www.sicty.com**(5) and the website of the Stock Exchange at **www.hkexnews.hk** . . . . .no later than 11:00 p.m. on Thursday, December 4, 2025

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- from "Allotment Results" page in the designated results of allocations website at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result** with a "search by ID" function from(6) . . . . 11:00 p.m. on Thursday, December 4, 2025 to 12:00 midnight on Wednesday, December 10, 2025

- The Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.sicty.com**(5) which will provide links to the above mentioned websites of the H Share Registrar . . . . no later than 11:00 p.m. on Thursday, December 4, 2025

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from . . . . Friday, December 5, 2025 to Wednesday, December 10, 2025 (excluding Saturday, Sunday and public holidays in Hong Kong)

- for those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from . . . . 6:00 p.m. on Wednesday, December 3, 2025

H Share certificates in respect of wholly or partially successful applications applied through **HKSCC EIPO** channel pursuant to Hong Kong Public Offering to be deposited into CCASS(7)(8) . . . . on or before Thursday, December 4, 2025

H Share certificates in respect of wholly or partially successful applications applied through the **HK eIPO White Form** service pursuant to Hong Kong Public Offering to be dispatched(7)(8) . . . . on or before Thursday, December 4, 2025

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched[9] . . . . on or before Friday, December 5, 2025

Dealings in the H Shares on the Stock Exchange expected to commence at[8] . . . . 9:00 a.m. on Friday, December 5, 2025

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, "**Bad Weather Signal**") in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 2, 2025, the application lists will not open or close on that day. For further details, see "How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements."

(4) Applicants who apply via **HKSCC EIPO** channel shall contact their broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

(5) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.

(6) The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result** or **http://www.sicty.com**.

(7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) If a Bad Weather Signal in force is hoisted on Thursday, December 4, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository's service counter so that they would be available for trading on Friday, December 5, 2025.

(9) Refund mechanism for surplus application monies paid by application via **HKSCC EIPO** channel is subject to the arrangement between applicants and their broker or custodian.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the designated bank account in the form of **HK eIPO White Form** e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Who We Are

We are a silicon carbide ("**SiC**") epitaxial wafer manufacturer focusing primarily on self-manufactured SiC epitaxial wafers.* An epitaxial wafer is the key raw material for the production of power semiconductor device. SiC, one of the third-generation semiconductor materials, offers significant performance advantages as compared to traditional semiconductor materials like silicon, making it more suitable for high-voltage, high-temperature, and high-frequency environments. By cutting, grinding and polishing SiC substrates, the major raw materials for our products, a single epitaxial wafer with a specific crystal plane and appropriate electrical, optical and mechanical properties for growing epitaxial layers is obtained. Through an epitaxial process, a specific single crystal, thin film is grown on the epitaxial wafer. We are the third largest China-based SiC epitaxial wafer manufacturer in terms of both revenue and sales volume generated from self-manufactured SiC epitaxial wafers from the global market in 2024, with a market share of 6.7% in terms of revenue and 7.8% in terms of sales volume. We are also the largest manufacturer of self-manufactured SiC epitaxial wafers in terms of both revenue and sales volume in the PRC market in 2024, with market share of 30.6% and 32.5%, respectively.

During the Track Record Period, our revenue was mainly generated from the sales of self-manufactured SiC epitaxial wafers with 4-inch, 6-inch and 8-inch, and the provision of certain value-added services related to SiC epitaxial wafers. We achieved mass production of 4-inch and 6-inch SiC epitaxial wafers in 2014 and 2018, respectively, and possessed the capability to mass produce 8-inch SiC epitaxial wafers in 2023. As of May 31, 2025, we possessed an annual production capacity of approximately 420,000 pieces of 6-inch and 8-inch epitaxial wafers, placing us one of the largest companies in China equipped with production capacity of 6-inch and 8-inch epitaxial wafers.

* SiC epitaxial wafer industry consist of two segments, namely self-manufactured SiC epitaxial wafers, and SiC epitaxial wafers that are produced under foundry services. In 2024, self-manufactured SiC epitaxial wafer segment took up over 90% of the overall PRC market in terms of revenue, with the remaining covered by those produced under foundry services.

With comprehensive insight in business management, we have an established business model that meets industry needs. We heed demand from different downstream customers, engaging in the industries of electric vehicle, power supply and rail transportation including their varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, which are influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs, we primarily engage in direct sales to targeted customers by offering them tailored products. We procure raw materials based on the expected sales volume, with appropriate reserves, and make production plans accordingly. This approach enhances our ability to manage procurement and inventory effectively.

As a top supplier of third-generation SiC semiconductor materials, we have benefited from the rapid development of new energy-related industries in recent years both in China and globally, resulting in a significant increase in product shipments. During the Track Record Period, our sales volume (including self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) grew from 44,515 pieces in 2022 to 130,702 pieces in 2023, but decreased to 78,928 pieces in 2024, mainly due to the change of market condition attributable to a decrease in our overseas sales which resulted from global trade tensions. Our sales volume (including self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) grew from 37,391 pieces for the five months ended May 31, 2024 to 77,709 pieces for the five months ended May 31, 2025.

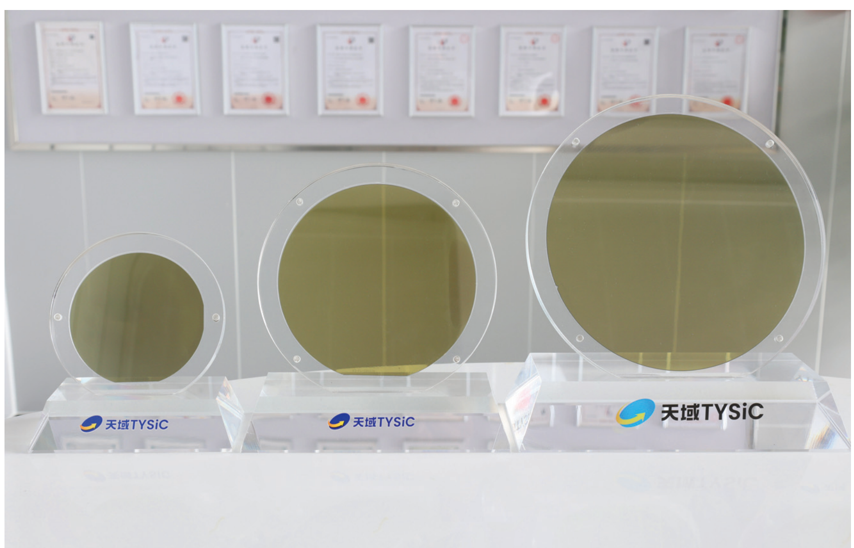
Our revenue increased from RMB436.9 million in 2022 to RMB1,171.2 million in 2023, and decreased to RMB519.6 million in 2024. Our net profit boosted from RMB2.8 million in 2022 to RMB95.9 million in 2023. However, we recorded a net loss of RMB500.3 million in 2024, primarily due to the gross loss incurred as a result of write-down of inventories recorded during the year affected mainly by the decreasing price trend of the SiC epitaxial wafers as a result of temporary oversupply. For the five months ended May 31, 2025, although our revenue decreased to RMB256.8 million from the corresponding period in 2024 of RMB297.3 million, our gross loss and net loss positions recorded in 2024 have turned to gross profit and net profit positions for the five months ended May 31, 2025. See "Business — Challenges to Our Industry and Our Business — Analysis on Recent Financial Performance." In particular, our net profit for the five months ended May 31, 2025 included government grants of RMB15.0 million.

OUR PRODUCT AND SERVICE OFFERINGS

Our SiC Epitaxial Wafers

During the Track Record Period, we primarily provided 4-inch, 6-inch and 8-inch SiC epitaxial wafers. To meet the evolving downstream customer demands that require larger, more cost-effective semiconductor materials and to maintain our market position, we have continuously iterated and upgraded our manufacturing processes and R&D technologies, and gradually increase our production capacity to keep up with the industry trend of SiC epitaxial wafer providers. In particular, we have completed construction, and expect to primarily use, our newly established Ecological Park site in Dongguan for the mass production of 6-inch and 8-inch SiC epitaxial wafers, which will be put in use by the end of 2025. See "Business — Production — Production Bases." Going forward, we anticipate bigger sales volume and revenue contribution to be brought from sales of 8-inch SiC epitaxial wafers in the near future.

The following picture illustrates our 4-inch, 6-inch and 8-inch SiC epitaxial wafers, respectively:



Our SiC Epitaxial Wafer Related Services

Leveraging our capability and expertise in the R&D and mass production of SiC epitaxial wafers, we provide value-added SiC epitaxial wafer related services, including SiC epitaxial foundry service, epitaxial wafer cleaning service, and SiC related inspection service. Our major customers of SiC epitaxial wafer related services include scientific research institutions, universities and other upstream and downstream industry players.

Our Operational Highlights

Sales Volume and ASP by Product Type

In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, we sold 44,515 pieces, 130,702 pieces, 78,928 pieces, 37,391 pieces and 77,709 pieces of SiC epitaxial wafers*, respectively, the details of which are set forth below:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece
Sales of self-manufactured SiC epitaxial wafers															
4-inch	2,777	6.3	4,138	1,818	1.4	4,539	1,699	2.2	4,482	318	0.9	4,940	901	1.2	2,840
6-inch	40,167	90.2	9,631	125,799	96.3	8,890	68,358	86.6	6,669	36,520	97.7	7,924	50,360	64.8	3,138
8-inch	—	—	—	15	—[1]	34,467	1,679	2.1	12,483	100	0.3	17,490	7,635	9.8	8,377
Sales of SiC epitaxial wafers under foundry services															
4-inch	5	—[1]	N/A	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
6-inch	1,566	3.5	N/A	3,070	2.3	N/A	7,158	9.1	N/A	453	1.1	N/A	18,676	24.0	N/A
8-inch	—	—	N/A	—	—	N/A	34	—[1]	N/A	—	—	N/A	137	0.2	N/A
Total	44,515	100.0		130,702	100.0		78,928	100.0		37,391	100.0		77,709	100.0	

Note:

(1) Less than 0.1%.

During the Track Record Period, we primarily provided 4-inch, 6-inch and 8-inch SiC epitaxial wafers in accordance with downstream customers' differentiated needs. In particular, we commenced sales of 8-inch SiC epitaxial wafers in 2023 leveraging our developed mass production capability as larger-sized epitaxial wafers are generally more advantageous in total usable area and ability to control downfall defects on the surface of epitaxial wafers, thereby resulting in a more efficient use. Larger-sized epitaxial wafers are better able to control surface defects primarily because they have a smaller proportion of edge area relative to their total surface area. For example, an 8-inch epitaxial wafer has a surface area that is approximately 78% larger than that of a 6-inch epitaxial wafer. This means that the edge area, which is more prone to defects due to mechanical stresses and process variations, constitutes a smaller fraction of the total wafer surface. Consequently, the overall defect density is reduced, and the impact of edge-related defects on yield is minimized. As a result, our sales volume of 4-inch SiC epitaxial wafers experienced a continuous decrease.

* Total sales volume of SiC epitaxial wafers included the number of products under our provision of foundry services.

Sales Volume and ASP by Geographical Location

The following table sets forth a breakdown of our sales volume and ASP by geographical location based on the location at which our self-manufactured SiC epitaxial wafers were delivered, for the years/periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece	Sales Volume	%	ASP RMB/piece
Chinese Mainland	38,790	87.1	9,228	69,112	52.9	8,988	73,675	93.3	6,612	32,744	87.6	7,849	77,426	99.7	3,810
Hong Kong	1,064	2.4	5,579	1,155	0.9	10,613	94	0.1	11,516	83	0.2	11,675	4	—(2)	4,250
South Korea	4,438	10.0	10,747	59,737	45.7	8,619	4,644	5.9	8,627	4,514	12.1	8,385	32	—(2)	4,688
Others(1)	223	0.5	5,543	698	0.5	7,444	515	0.7	7,823	50	0.1	10,420	247	0.3	4,361
Total	**44,515**	**100.0**	**9,276**	**130,702**	**100.0**	**8,831**	**78,928**	**100.0**	**6,753**	**37,391**	**100.0**	**7,924**	**77,709**	**100.0**	**3,813**

Notes:

(1) Others primarily include Japan, Taiwan, Singapore, Europe and Australia.

(2) Less than 0.1%.

See "Business — Our Product and Service Offerings."

RESEARCH AND DEVELOPMENT

Over the years, we have been devoted to the R&D and innovation of fabrication and manufacturing processes of SiC epitaxial wafers. We consider that we possess comprehensive knowledge of the technical specifications and features, functionalities and applications of SiC epitaxial wafers, based on which we perform day-to-day R&D activities along with our production and manufacturing activities. We have established an R&D center at our headquarters in Dongguan, China, where we actively engage in resolving technological and manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. Our achievements in R&D is evidenced by a proven history of generating intellectual property and industry recognitions. As of May 31, 2025, our R&D efforts had accumulated 84 patents, consisting of 33 invention patents and 51 utility model patents. We have undertaken or participated in three national key R&D plan projects and seven provincial and municipal key R&D projects. Moreover, we have led or contributed to the drafting of one international standard, 13 national standards, 12 group standards, and four enterprise standards as of the same date. We have also won prizes widely recognized by the industry.

During the Track Record Period, our R&D expenses amounted to RMB29.2 million, RMB55.3 million, RMB61.0 million, RMB30.3 million and RMB19.9 million in 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, respectively, demonstrating our significant and continuous efforts into the R&D of our products and technologies.

See "Business — Research and Development."

PRODUCTION

We primarily adopt a sales volume-based production model, and maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves. We currently maintain a production base at our headquarters in Dongguan, China, which leads the entire production process and is primarily used for the production and manufacturing of all sizes of SiC epitaxial wafers. In addition, our new production base located at Ecological Park site in Dongguan, the construction of which has been completed and we expect to primarily use for the production of 8-inch SiC epitaxial wafers with a capability to manufacture 6-inch SiC epitaxial wafers, will be put in use by the end of 2025. Each year, our production center prepares a production plan based on our production capacity, equipment operation status and sales plan. The production plan, after approval by both the head of our production center and the head of our manufacturing department, is then distributed to our manufacturing department, which carries out the production tasks in accordance with the production plan and technical requirements. We impose strict quality control of our SiC epitaxial wafers, conduct product testing and quality inspections from time to time to ensure the quality of our products. Our major production equipment and machinery are mainstream semiconductor equipment applicable to all sizes of SiC epitaxial wafers and can be shared to produce all types of products.

We operate in a capital intensive industry. Our capital expenditures amounted to RMB515.9 million, RMB1,093.8 million, RMB843.9 million and RMB215.6 million in 2022, 2023, 2024 and for the five months ended May 31, 2025, respectively. To keep abreast with the latest market trend, solidify our industry position and gain as much market share as possible, it is unavoidable for us to consider expanding our production capacity. We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for payment for property, plant and equipment. Specifically, we intend to make significant capital expenditures to expand our overall production capacity over the next five years. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the net proceeds from the Global Offering. See "Financial Information — Capital Expenditures and Commitments."

For details of our production process, production equipment and machinery, and production bases, see "Business — Production."

SALES AND MARKETING

We market our SiC epitaxial wafers through our internal sales and marketing department, which is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing department leads the formulation and coordination of marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our products, and are able to identify the requests of our customers. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs.

As of May 31, 2025, our sales and marketing team consisted of 13 members who worked closely with our R&D, production and manufacturing departments to execute our marketing strategies. In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, our selling and distribution expenses amounted to RMB8.1 million, RMB12.0 million, RMB19.0 million, RMB6.9 million and RMB6.7 million, respectively, accounting for 1.9%, 1.0%, 3.7%, 2.3% and 2.6%, respectively, of our revenue for the corresponding years/periods.

Our Customers

We mainly provide our products to customers engaging in the R&D, production and sales of semiconductor chips and other related products and their representative offices in relevant regions. In 2022, 2023 and 2024 and for the five months ended May 31, 2025, revenue from our five largest customers in each year/period comprising the Track Record Period amounted to RMB268.5 million, RMB904.1 million, RMB391.0 million and RMB158.8 million, representing 61.5%, 77.2%, 75.2% and 61.8% of our total revenue for the respective years/period, while the largest customer in each year/period contributed 21.1%, 42.0%, 43.5% and 16.6% of our total revenue, respectively, for the same years/period.

Our five largest customers in each year/period comprising the Track Record Period were different. Our major customers remain good relationships with us, and continuously make purchases from us with different purchase amounts in each year/period. The shuffling of our five largest customers in each year/period comprising the Track Record Period was primarily due to, to the best knowledge of our Directors, a change in our customers' downstream demand which resulted in a shuffling of their suppliers, which is in line with the industry practice. In addition, a significant portion of our revenue was derived from our five largest customers in each year/period comprising the Track Record Period. In particular, our strong performance and profitability were largely attributable to the revenue generated from Customer J in 2023 and Customer L in 2024. Given the significant revenue contribution by our major customers in aggregate, any decrease in sales from, or loss of, one or more of our major customers would harm our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration and counterparty risks from our major suppliers and customers."

Although there appeared to be a substantial contribution of revenue from a limited number of customers during the Track Record Period, we believe there is no material reliance risk between each of the customers and us considering the composition of our top five customers varied each year/period during the Track Record Period due to shifts in downstream demand and project cycles, which is typical in the SiC epitaxial wafer industry. Furthermore, such concentration is common in the semiconductor industry given the high technical requirements, long product qualification cycles, and the need for close collaboration between suppliers and leading power semiconductor manufacturers. Top five customers could contribute over 50% of the revenue of an SiC epitaxial wafer provider, which is common in the industry. Further, the revenue contribution by the top five customers of each of the top five SiC epitaxial wafer providers exceeded 50% of their respective total revenue in 2024. Despite the varying composition, our top five customers as a whole have mutually dependent relationship with us, as these top customers are primarily engaged in development and sales of SiC semiconductor devices to which our SiC epitaxial wafers are critical components, and generally spend time on conducting testing and validation of our products before adopting them to their products. We believe our market position and production capability would also provide confidence to our customers on continuing the business relationship with us. Therefore, we anticipate receiving purchase orders from the top five customer group in the future.

In addition, although our business transactions with the customers may be affected due to global trade tensions, we are of the view that the relationship between our top customers and us is unlikely to materially adversely change or terminate, because (i) these top customers are primarily engaged in development and sales of SiC semiconductor devices, to which our SiC epitaxial wafers are critical components; (ii) we have maintained a long-term and stable business relationship, part of which are evidenced by framework sales agreements, with a majority of the top five customers in each year/period comprising the Track Record Period, with a collaboration history of at least two years; (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with any of the top five customers in each year/period comprising the Track Record Period; and (iv) currently there is no indication or sign from any of our top customers that it will alter its existing relationship with us in any aspect in the near future. Despite the concentration issue, we do not believe any change in the relationship with our top customers would have any material adverse impact on our business as we are striving to cope with such issue. For example, we intend to deepen customer relationships by focusing on customer needs and enhancing customer stickiness. We also aim to acquire new customers domestically and internationally to further expand our customer base. See "Business — Our Strategies — Deepen customer relationships and expand cooperation ecosystem."

See "Business — Sales and Marketing."

PROCUREMENT AND SUPPLY

Raw Materials and Procurement

We procure from suppliers 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. We primarily adopt a production volume-based procurement model, and reserve raw materials as appropriate. We have an internal procurement department responsible for the procurement of raw materials, which formulates procurement plans annually based on the next year's sales plan and actual material needs.

Our Suppliers

We primarily purchase raw materials from raw material production companies. Occasionally, we also purchase semiconductor devices, equipment and machinery from equipment supply companies. In order to maintain the quality of the raw materials and the stability of our supply chain, we have established a supplier management and accreditation policy to select the most suitable raw material suppliers according to our procurement plans. Our procurement department organizes other relevant departments to jointly evaluate supplier candidates, and maintain a list of qualified, experienced and reputable suppliers to ensure the quality of our products. We assess and evaluate the supplier candidates annually based on their raw material quality, production capacity, delivery capability, price level, service quality, and credentials and reputation, and give preference to the raw material suppliers who have obtained ISO9001 quality management certifications and ISO14001 or QC0800000 environmental certifications. Additionally, in our commitment to meet the IATF16949 standards and safety management requirements for automotive grade materials, we consistently oversee the advancement of our suppliers' quality management systems.

In 2022, 2023 and 2024 and for the five months ended May 31, 2025, we had eight, 14, 17 and 17 suppliers who provide raw materials that are directly used to manufacture our products, respectively. Purchases from our five largest suppliers in each year/period comprising the Track Record Period amounted to RMB236.7 million, RMB937.6 million, RMB409.1 million and RMB58.0 million in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, representing 84.5%, 88.7%, 86.9% and 74.7% of our total purchases for the respective years/period. Purchases attributable to our largest supplier in 2022, 2023 and 2024 and for the five months ended May 31, 2025 amounted to RMB149.7 million, RMB363.7 million, RMB239.9 million and RMB27.5 million, respectively, accounting for 53.4%, 34.4%, 51.0% and 35.4% of our total purchases.

During the Track Record Period, we primarily procured raw materials from our top five suppliers and may be susceptible to concentration risk. See "Risk Factors — Risks Relating to our Business and Industry — We are exposed to concentration and counterparty risks from our major suppliers and customers." The concentration of suppliers during the Track Record Period was largely attributable to a concentrated scope of qualified companies in an earlier stage of development of China's SiC semiconductor industry, brought by entry barriers such as high capital investment, technical difficulties and regulatory restrictions. We do not believe there is material supplier reliance risk, considering (i) we have maintained multiple suppliers to avoid overreliance on any of the existing suppliers and each of our materials were procured from multiple supplier; and (ii) we have invested efforts into diversifying our supplier base, and commenced epitaxial wafer production verification and tape-out with new suppliers in recent years. Furthermore, it is reasonable and in line with industry norm to procure raw materials from a limited pool of suppliers in the semiconductor industry, where only a limited number of upstream vendors can consistently meet the stringent quality, purity, and technical specifications required for high-performance SiC epitaxial wafers and ensure large-volume, stable supply, because the technical barrier of SiC substrate manufacturing is relatively high and, during the Track Record Period, only a limited numbers of SiC substrate suppliers had proven records of the stable supply in large volume. As technology in the PRC continues to advance, it is expected that more qualified domestic suppliers of SiC substrates will emerge, enhancing our ability to implement localized sourcing and reducing reliance on overseas suppliers. Besides, albeit only a few, there are around 35 suppliers who are able to provide products and services of similar quality and similar price in the market from which we can easily procure raw materials, which helps reduce the potential supplier concentration risks. In the event of a termination of relationship with our major suppliers, we believe we are able to find alternative suppliers in a timely and efficient manner, and such replacement will not have a material adverse effect on our business operations.

See "Business — Procurement and Supply."

COMPETITIVE LANDSCAPE

The competition of China's SiC epitaxial wafer market is highly concentrated, with the top five players accounting for 87.6% of the total market in terms of revenue generated in China in 2024. We are the largest manufacturer of self-manufactured SiC epitaxial wafers in terms of both revenue and sales volume in the PRC market in 2024, with market share of 30.6% and 32.5%, respectively. We are also the third largest China-based SiC epitaxial wafer manufacturer in terms of both revenue and sales volume generated from self-manufactured SiC epitaxial wafers from the global market in 2024, with a market share of 6.7% in terms of revenue and 7.8% in terms of sales volume. See "Industry Overview — Competitive Landscape of China's and Global SiC Epitaxial Wafer Markets." To stand out from the top market players, we face intense competition in respect of the quality of our products, our ability to meet our customers' demands, supply chain and sales channels, pricing, and our experience and reputation. We believe that there are high barriers for our competitors to enter into the SiC epitaxial wafer market, which include, among other things, sufficient industry know-how, adequate resources, advancement in technology, solid sales and supply channels. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths.

See "Industry Overview."

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors, and will help drive our growth in the future:

- China's largest SiC epitaxial wafer supplier;
- Satisfactory product quality and performance recognized by large-sized customers;
- Established business model and stable production capacity;
- Industry-recognized technologies in key areas and continuously iterated production processes; and
- Sophisticated management and highly experienced staff team.

See "Business — Our Competitive Strengths."

OUR STRATEGIES

We are devoted to the SiC epitaxial wafer industry, and endeavor to achieve this vision through the following aspects.

- Expand production capacity to match market demand;
- Continue to invest in R&D to promote technological innovation and enrich product portfolio;
- Deepen customer relationships and expand cooperation ecosystem;
- Seek strategic investments and acquisitions when appropriate; and
- Continue to recruit industry elites and build talent pool.

See "Business — Our Strategies."

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

The tables below present our summary consolidated financial data derived from our consolidated statements of profit or loss and other comprehensive income and consolidated cash flow statements during the Track Record Period and our consolidated statements of financial position as of December 31, 2022, 2023 and 2024 and for the five months ended May 31, 2025 included in the Accountants' Report in Appendix I to this document. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed "Financial Information."

Consolidated Statements of Profit or Loss

The following table sets forth a summary of our statements of profit or loss, with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	**436,855**	**100.0**	**1,171,214**	**100.0**	**519,622**	**100.0**	**297,269**	**100.0**	**256,836**	**100.0**
Cost of sales	(349,369)	(80.0)	(954,596)	(81.5)	(893,982)	(172.0)	(324,326)	(109.1)	(199,071)	(77.5)
Gross profit/(loss)	**87,486**	**20.0**	**216,618**	**18.5**	**(374,360)**	**(72.0)**	**(27,057)**	**(9.1)**	**57,765**	**22.5**
Other net income	3,526	0.8	55,928	4.8	13,377	2.6	7,718	2.6	15,255	5.9
Selling and distribution expenses	(8,101)	(1.9)	(11,956)	(1.0)	(19,023)	(3.7)	(6,931)	(2.3)	(6,693)	(2.6)
Administrative and other operating expenses	(42,414)	(9.7)	(74,362)	(6.3)	(113,599)	(21.9)	(68,246)	(23.0)	(14,993)	(5.8)
Research and development expenses	(29,235)	(6.7)	(55,343)	(4.7)	(61,032)	(11.7)	(30,339)	(10.2)	(19,874)	(7.7)
Profit/(loss) from operations	**11,262**	**2.6**	**130,885**	**11.2**	**(554,637)**	**(106.7)**	**(124,855)**	**(42.0)**	**31,460**	**12.2**
Finance costs	(7,516)	(1.7)	(19,876)	(1.7)	(34,551)	(6.6)	(12,057)	(4.1)	(19,870)	(7.7)
Profit/(loss) before taxation	3,746	0.9	111,009	9.5	(589,188)	(113.4)	(136,912)	(46.1)	11,590	4.5
Income tax (expense)/ credit	(932)	(0.2)	(15,127)	(1.3)	88,936	17.1	22,130	7.4	(2,075)	(0.8)
Profit/(loss) for the year/period	**2,814**	**0.6**	**95,882**	**8.2**	**(500,252)**	**(96.3)**	**(114,782)**	**(38.6)**	**9,515**	**3.7**

Revenue

Revenue by Business Line

During the Track Record Period, we generated our revenue from (i) sales of self-manufactured SiC epitaxial wafers; and (ii) other sales and services. Some of our customers may use epitaxial wafers for their testing or R&D purposes. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the years/period indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Sales of self-manufactured SiC epitaxial wafers	398,341	91.2	1,127,097	96.2	484,423	93.2	292,695	98.5	224,570	87.4
— 4-inch	*11,492*	*2.6*	*8,252*	*0.7*	*7,615*	*1.5*	*1,571*	*0.5*	*2,559*	*1.0*
— 6-inch	*386,849*	*88.6*	*1,118,328*	*95.5*	*455,849*	*87.7*	*289,375*	*97.4*	*158,051*	*61.5*
— 8-inch	—	—	*517*	—(1)	*20,959*	*4.0*	*1,749*	*0.6*	*63,960*	*24.9*
Other sales and services	38,514	8.8	44,117	3.8	35,199	6.8	4,574	1.5	32,266	12.6
Total	**436,855**	**100.0**	**1,171,214**	**100.0**	**519,622**	**100.0**	**297,269**	**100.0**	**256,836**	**100.00**

Note:

(1) Less than 0.1%

Sales of Self-manufactured SiC Epitaxial Wafers

We principally engaged in sales of self-manufactured SiC epitaxial wafers and generated revenue of RMB398.3 million, RMB1,127.1 million, RMB484.4 million and RMB224.6 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 91.2%, 96.2%, 93.2% and 87.4% of our total revenue for the respective years/period. During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers, while we commenced the sales of 8-inch SiC epitaxial wafers to customers in 2023.

Revenue from sales of self-manufactured SiC epitaxial wafers is primarily driven by sales volume and our selling prices. The following table sets forth a summary of our revenue from sales of self-manufactured SiC epitaxial wafers, sales volume and ASP by types of product for the years/periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000* (unaudited)	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
4-inch	11,492	2,777	4,138	8,252	1,818	4,539	7,615	1,699	4,482	1,571	318	4,940	2,559	901	2,840
6-inch	386,849	40,167	9,631	1,118,328	125,799	8,890	455,849	68,358	6,669	289,375	36,520	7,924	158,051	50,360	3,138
8-inch	—	—		517	15	34,467	20,959	1,679	12,483	1,749	100	17,490	63,960	7,635	8,377
	398,341	42,944	9,276	1,127,097	127,632	8,831	484,423	71,736	6,753	292,695	36,938	7,924	224,570	58,896	3,813

The following table sets forth a summary of our revenue from sales of self-manufactured SiC epitaxial wafers, sales volume and ASP by geographic location for the years/periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000* (unaudited)	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
Chinese Mainland	343,473	37,219	9,228	621,208	69,112	8,988	440,645	66,644	6,612	254,716	32,452	7,849	223,387	58,627	3,810
Hong Kong	5,936	1,064	5,579	12,258	1,155	10,613	1,048	91	11,516	934	80	11,675	17	4	4,250
South Korea	47,696	4,438	10,747	488,435	56,667	8,619	38,701	4,486	8,627	36,524	4,356	8,385	150	32	4,688
Others(1)	1,236	223	5,543	5,196	698	7,444	4,029	515	7,823	521	50	10,420	1,016	233	4,361
	398,341	42,944	9,276	1,127,097	127,632	8,831	484,423	71,736	6,753	292,695	36,938	7,924	224,570	58,896	3,813

Note:

(1) Others primarily include Japan, Taiwan, Singapore, Europe and Australia.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB398.3 million in 2022 to RMB1,127.1 million in 2023, primarily due to an increase in our sales volume of 6-inch SiC epitaxial wafers driven by our increased production capacity and downstream market demand. As market demand increased especially from sectors such as electric vehicles and new energy, we continued to increase our production capacity to meet the rising orders and capitalize the market opportunities. In terms of geographic location, the increase in revenue generated from sales of self-manufactured SiC epitaxial wafers was mainly driven by our sales to Customer J in South Korea in 2023, who contributed 42.0% of our total revenue in 2023. See "Business — Sales and Marketing — Our Customers" for details.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 57.0% from RMB1,127.1 million in 2023 to RMB484.4 million in 2024, primarily due to a decrease in selling prices and sales volume of SiC epitaxial wafers. As a result of a temporary industry oversupply due to accelerated capacity expansion by SiC epitaxial wafer manufacturers following earlier periods of supply shortage and strong demand visibility, market prices of SiC epitaxial wafers and substrates decreased in 2024. We benefited from a decrease in market price of SiC substrates, thus allowing us room for price adjustments. Such oversupply is expected to normalize as downstream demand recovers and excess inventory is absorbed. In terms of geographic location, the decrease in our revenue from sales of self-manufactured SiC epitaxial wafers was mainly driven by the decrease in our sales to Customer J, who reduced its purchase from us in the first half of 2024 and generally no longer made purchases from us as a Chinese manufacturer in the second half of 2024, primarily due to changes in U.S. trade policy affecting certain semiconductor imports from China, notably that Customer J is a subsidiary of a US listed company.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 23.3% from RMB292.7 million for the five months ended May 31, 2024 to RMB224.6 million for the five months ended May 31, 2025, primarily due to a decrease in selling price of SiC epitaxial wafers. During the five months ended May 31, 2025, we have continued to flexibly reduce our selling price in response to the change in market condition so as to maintain our industry position and gain market share. Under this strategy, we have increased our sales volume to 58,896 pieces of SiC epitaxial wafers for the five months ended May 31, 2025 from 36,938 pieces of SiC epitaxial wafers for the five months ended May 31, 2024.

Other Sales and Services

During the Track Record Period, we also generated revenue from the provision of certain value-added services related to SiC epitaxial wafers, primarily including SiC epitaxial foundry service, epitaxial wafer cleaning service, and SiC related inspection service and from sales of certain suboptimal epitaxial wafers, which are products we manufactured that do not fully meet requirements specified by our customers of the original orders and were therefore not delivered for primary sale. From time to time, we reach out to customers and sell our suboptimal epitaxial wafers that customers may use such epitaxial wafers for their testing or R&D purposes. Our revenue generated from other sales and services amounted to RMB38.5 million, RMB44.1 million, RMB35.2 million and RMB32.3 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 8.8%, 3.8%, 6.8% and 12.6% of our total revenue for the respective years/period.

See “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by Business Line” for details.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

In 2022 and 2023, our gross profit was RMB87.5 million and RMB216.6 million, respectively. We incurred a gross loss of RMB374.4 million in 2024, primarily due to an increase in provision for write-down of inventories from RMB21.3 million in 2023 to RMB315.1 million in 2024 in view of the decrease of market prices of SiC epitaxial wafer products, as a result of a temporary oversupply of SiC substrates following the SiC epitaxial wafer manufacturers accelerated capacity expansion following earlier periods of supply shortage and strong demand visibility. As of December 31, 2024, we also made full provision for our 4-inch epitaxial wafers-related inventories, due to the uncertainties in future demand as the smaller 4-inch epitaxial wafers are gradually being phased out in favor of the larger-sized epitaxial wafers.

During the five months ended May 31, 2025, we achieved a gross profit of RMB57.8 million, primarily due to a net reversal of provision on inventories, which coupled with a combination of the increase in sales volume of our SiC epitaxial wafers sold, and our effective cost management.

During the Track Record Period, our overall gross profit margin varied, primarily due to the change in our product mix, the pricing of our products/services as well as the cost of products/services, which are predominately driven by market conditions. We achieved an overall gross profit margin of 20.0%, 18.5% and 22.5% in 2022 and 2023 and for the five months ended May 31, 2025, respectively, and an overall gross loss margin of 72.0% in 2024.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin by Business Segment and Product

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of self-manufactured SiC epitaxial wafer products										
– 4-inch	(2,385)	(20.8)	1,872	22.7	85	1.1	(2,502)	(159.3)	(1,074)	(42.0)
– 6-inch	84,636	21.9	208,186	18.6	(338,307)	(74.2)	(22,094)	(7.6)	40,969	25.9
– 8-inch	—	—	167	32.3	(12,125)	(57.9)	320	18.3	31,844	49.8
Other sales and services	6,522	16.9	7,852	17.8	(22,690)	(64.5)	(2,188)	(47.8)	(13,831)	(42.9)
Subtotal	88,773	20.3	218,077	18.6	(373,037)	(71.8)	(26,464)	(8.9)	57,908	22.5
Others	(1,287)		(1,459)		(1,323)		(593)		(143)	
Total	**87,486**	**20.0**	**216,618**	**18.5**	**(374,360)**	**(72.0)**	**(27,057)**	**(9.1)**	**57,765**	**22.5**

Note: Others mainly include taxes.

The gross profit of the sales of self-manufactured SiC epitaxial wafers is RMB82.3 million, RMB210.2 million and RMB71.7 million with the corresponding gross profit margin of 20.6%, 18.7% and 31.9% for the years ended December 31, 2022 and 2023 and five months ended May 31, 2025, respectively. On the other hand, we recorded gross loss of the sales of self-manufactured SiC epitaxial wafers of RMB350.3 million and RMB24.3 million with the corresponding gross loss margin of 72.3% and 8.2% for the year ended December 31, 2024 and five months ended May 31, 2024 respectively.

The gross loss of our 4-inch SiC epitaxial wafers was RMB2.4 million with a gross loss margin of 20.8% in 2022 primarily due to provision for write-down of 4-inch SiC epitaxial wafers to reflect a decrease in market prices of our products. As a result of the increase in selling price of our 4-inch SiC epitaxial wafers in 2023, we have recorded gross profit of RMB1.9 million in 2023, with a gross profit margin of 22.7%.

In 2024, the gross profit of our 4-inch SiC epitaxial wafers decreased to RMB85,000 with the gross profit margin of 1.1%, primarily due to decrease of the selling price of 4-inch SiC epitaxial wafers coupled with the increase in provision for write-down of 4-inch SiC epitaxial wafers to reflect a decrease in market prices of our products.

During the five months ended May 31, 2025, our 4-inch SiC epitaxial wafers recorded gross loss of RMB1.1 million with a gross loss margin of 42.0%, primarily due to continuous decrease in selling price of 4-inch SiC epitaxial wafers.

The gross profit of our 6-inch SiC epitaxial wafers substantially increased from RMB84.6 million in 2022 to RMB208.2 million in 2023, primarily due to increase in sales volume partly offset by the decrease in selling price of our 6-inch SiC epitaxial wafers. The gross profit margin of our 6-inch SiC epitaxial wafers decreased from 21.9% in 2022 to 18.6% in 2023 primarily due to the decrease in selling price of our 6-inch SiC epitaxial wafers coupled with the increase in fixed costs associated with the ramp-up of new production line launched in 2023.

As a result of the decrease of sales volume coupled with the decrease in selling price of our 6-inch SiC epitaxial wafers and provision for write-down of 6-inch SiC epitaxial wafers in light of the decrease in market prices of our products, our 6-inch SiC epitaxial wafers recorded gross loss of RMB338.3 million in 2024 as compared to gross profit of RMB208.2 million in 2023. As a result of the decrease in selling price of our 6-inch SiC epitaxial wafers and provision for write-down of 6-inch SiC epitaxial wafers, our 6-inch SiC epitaxial wafers recorded gross loss margin of 74.2% as compared to the gross profit margin of 18.6% in 2023.

For the five months ended May 31, 2025, our 6-inch SiC epitaxial wafers recorded gross profit of RMB41.0 million with the gross profit margin of 25.9%, primarily due to the reversal of provision for our 6-inch SiC epitaxial wafers amounted to RMB34.1 million upon return of certain non-conforming 6-inch SiC epitaxial wafers to a supplier. Before such reversal, our gross profit was RMB6.9 million, representing gross profit margin of 4.3%.

In 2023, the gross margin from 8-inch SiC epitaxial wafers was RMB0.2 million, representing a gross profit margin of 32.3%. In 2024, our 8-inch SiC epitaxial wafers recorded gross loss of RMB12.1 million with the gross loss margin of 57.9% primarily due to the continuous decrease in selling price of 8-inch SiC epitaxial wafers in 2024 and the provision for write-down of 8-inch SiC epitaxial wafers in light of the decrease in selling price.

For the five months ended May 31, 2025, our 8-inch SiC epitaxial wafers recorded gross profit of RMB31.8 million with the gross profit margin of 49.8% as a result of (i) the increase of production volume of epitaxial wafers during the five months ended May 31, 2025 pushing down unit cost being manufactured as a result of economies of scale; and (ii) decreased purchase cost due to domestic substitution.

The gross profit and gross profit margin of other sales and services remained stable in 2022 and 2023. Other sales and services recorded gross loss of RMB22.7 million with gross loss margin 64.5% in 2024 primarily due to the low production volume in 2024 pushing up the fixed cost allocated to each production unit. For the five months ended May 31, 2025, the gross loss margin of other sales and services improved to 42.9% as a result of increase in higher production volume during the five months ended May 31, 2025 as compared with that in 2024 resulting in less fixed cost allocated to our SiC epitaxial foundry services.

Net Profit/Loss for the Year/Period

Our net profit increased from RMB2.8 million in 2022 to RMB95.9 million in 2023 primarily due to significant sales performance in 2023 as we capitalized on the growing market demand through expansion of our production capacity. In 2024, we recorded loss for the year of RMB500.3 million, primarily due to the gross loss incurred as a result of provision for write-down of inventories recorded and our decrease in selling price of our SiC epitaxial wafers during the year, as well as an increase in administrative and other operating expenses, research and development expenses and selling and distribution expenses.

We recorded net profit of RMB9.5 million for the five months ended May 31, 2025, primarily due to the reversal of provision for inventories and reversal of provision for impairment loss on financial assets, our cost control measures in switching to domestic suppliers and the increase in government grant in relation to SiC epitaxial wafer R&D and enhancing the Group's competitiveness.

Summary of Statements of Financial Position

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	763,513	1,995,931	2,877,244	2,918,629
Total current assets	995,034	1,047,092	602,309	637,977
Total current liabilities	143,259	786,433	1,125,266	855,643
Total non-current liabilities	39,921	559,895	1,134,678	1,460,965
Net current assets/ (liabilities)	851,775	260,659	(522,957)	(217,666)
Net assets	1,575,367	1,696,695	1,219,609	1,239,998

Net current assets/(liabilities)

Our net current assets decreased from RMB851.8 million as of December 31, 2022 to RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; (ii) an increase in trade and bills payables of RMB157.9 million; and (iii) a decrease in cash and cash equivalents of RMB275.9 million as we spent cash to support our business expansion. This was partially offset by an increase in inventories of RMB304.7 million and trade and bills receivables of RMB156.0 million.

We recorded net current liabilities of RMB523.0 million as of December 31, 2024 while we recorded net current assets of RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in bank loans and other borrowings of RMB335.6 million to finance the construction of new Ecological Park production base; (ii) a decrease in inventories mainly as we wrote-down part of our inventories; (iii) a decrease in trade and bills receivables of RMB202.9 million as a result of a decrease in revenue; and (iv) a decrease in cash and cash equivalents of RMB74.0 million as we spent cash to support our business expansion.

Our net current liabilities decreased from RMB523.0 million as of December 31, 2024 to RMB217.7 million as of May 31, 2025, primarily due to an increase in our trade and bills receivables and a decrease of bank and other borrowings and other payables and accruals.

In view of the net current liabilities as of December 31, 2024 as well as May 31, 2025, we have taken and will continue to take the following measures to improve our financial position:

(i) ***monitoring our cash flow situation on a regular basis.*** Each year, our management reviews and approves our annual budget planning and expansion plans taking into account among other things, the financial position of our Group, market conditions, availability of financing. Our finance department also holds internal meetings monthly to discuss necessary steps to improve our Group's cashflow and liquidity position. We will continue to closely monitor our liquidity position to ensure sufficient working capital is maintained;

(ii) ***maintaining strict procurement and inventory management processes.*** We implement a strict inventory management system to monitor the procurement and storage of inventories. In light of the decreasing price trend of epitaxial wafers and substrate, we also entered into new strategic supply chain arrangement with certain suppliers, under which our suppliers rent a warehouse at our production site for storage of raw materials intended for our use. This arrangement aims to reduce production lead time by ensuring immediate access of materials by us, while enabling us to delay material purchases in response to the material price volatility, allowing us to better manage our inventory level and purchase costs risk. We will continue to prudently evaluate demands for the key raw materials of our products such as substrates and other consumables in order to form reasonable procurement plans and prioritize to consume inventories on hands; and

(iii) ***maintaining stable relationships with banks.*** We will maintain stable relationships with banks so as to timely obtain bank borrowings on acceptable terms once necessary. In addition, we are actively discussing with banks to increase the proportion of long-term loans in our financing structure to better match the life cycle of our capital expenditures and enhance financial stability.

Net assets

We had net assets of RMB1,575.4 million, RMB1,696.7 million, RMB1,219.6 million and RMB1,240.0 million as of December 31, 2022, 2023 and 2024 and May 31, 2025, which were resulted from the net movement of the profit/(loss) and total comprehensive income for the year/period, equity-settled share-based transactions and capital injection from non-controlling interests. During the Track Record Period, we did not pay or declare any dividend because of our accumulated losses. We are not able to declare or pay any dividend until we have distributable profits after the accumulated losses have been made up and statutory reserves have been drawn in accordance with relevant laws and regulations and the Articles of Association.

Our net assets increased from RMB1,575.4 million as of December 31, 2022 to RMB1,696.7 million as of December 31, 2023 due to the recognition of net profit of RMB95.9 million in 2022, the equity-settled share-based transactions amounted to RMB17.2 million and the capital injection from non-controlling interests of RMB8.2 million.

Our net assets decreased from RMB1,696.7 million as of December 31, 2023 to, RMB1,219.6 million as of December 31, 2024 due to the recognition of net loss of RMB500.2 million in 2024 and equity-settled share-based transactions amounting to RMB23.2 million.

Our net assets increased from RMB1,219.6 million as of December 31, 2024 to RMB1,240.0 million as of May 31, 2025 due to the recognition of net profit of RMB9.5 million for the five months ended May 31, 2025 and equity-settled share-based transactions amounting to RMB10.9 million.

Accumulated losses

As of December 31, 2022, 2023 and 2024 and May 31, 2025, we had accumulated losses of RMB181.6 million, RMB91.1 million, RMB583.5 million and RMB571.0 million, respectively. Our accumulated losses as of December 31, 2022 was mainly attributable to the historical loss incurred prior to the Track Record Period. Such historical loss was mainly due to relatively lower level of revenue resulting in limited enjoyment of economies of scale, coupled with higher R&D expenses and other operating expenses. These factors reflected our early growing stage of business development, during which more resources were directed to R&D of our products to support future growth. We managed to turn around to net profits in 2022 and 2023 in light of the growing market demand from sectors such as electric vehicles and new energy. To meet the rising orders and capitalize the market opportunities, we continued to increase our production capacity in 2022 and 2023, supporting our revenue growth.

Summary of Cash Flow Statements

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

	Year ended December 31,			Five months ended May 31,	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash (used in)/ generated from operating activities	(262,186)	87,394	(62,266)	109,875	61,092
Net cash used in investing activities	(514,446)	(1,090,418)	(842,806)	(284,565)	(215,485)
Net cash generated from financing activities	1,210,700	726,883	830,075	101,517	135,199
Net increase/(decrease) in cash and cash equivalents	**434,068**	**(276,141)**	**(74,997)**	**(73,173)**	**(19,194)**
Effect of exchange rate changes	**(1,257)**	**271**	**967**	**(34)**	**(34)**
Cash and cash equivalents at the beginning of the year/ periods	31,666	464,477	188,607	188,607	114,577
Cash and cash equivalents at the end of the year/period	**464,477**	**188,607**	**114,577**	**115,400**	**95,349**

See "Financial Information — Liquidity and Capital Resources".

In 2022, we had net cash outflow from operating activities of RMB262.2 million, primarily due to our profit before tax of RMB3.7 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB34.3 million and provision for write-down of inventories of RMB14.7 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments, deposits and other receivables of RMB213.2 million as we purchased more equipment to support our business expansion; and (b) an increase in trade and bills receivables of RMB117.7 million due to the growth of our sales; partially offset by (c) an increase in other payables and accruals of RMB48.1 million, mainly due to increased payables for construction and equipment purchases.

In 2023, we had net cash inflows from operating activities of RMB87.4 million, primarily due to our profit before tax of RMB111.0 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB89.1 million and provision for write-down of inventories of RMB21.3 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB326.0 million due to increased purchases to support our sales growth; and (b) an increase in trade and bills receivables of RMB165.4 million due to the growth of our sales, partially offset by (c) an increase of trade and bills payables of RMB157.7 million due to increased purchases to support our sales growth; and (d) a decrease in prepayments, deposits and other receivables of RMB152.2 million, primarily due to the delivery of prepaid raw materials.

In 2024, our net cash used in operating activities was RMB62.3 million, primarily due to our loss before tax of RMB589.2 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB130.8 million and provision for write-down of inventories of RMB315.1 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB104.0 million, primarily due to increased purchases of raw materials in anticipation of customers' orders; (b) a decrease in trade and bills payables of RMB53.2 million as we settled certain of our payables; (c) an increase in prepayments, deposits and other receivables of RMB22.3 million mainly due to the increase in value added tax recoverable; partially offset by (d) a decrease in trade and bills receivables of RMB157.8 million due to a decrease in our sales.

For the five months ended May 31, 2025, our net cash generated from operating activities was RMB61.1 million, primarily due to our profit before tax of RMB11.6 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB62.6 million and reversal of provision for impairment losses on financial assets of RMB14.1 million; and (ii) changes in working capital, which primarily included (a) a decrease in inventories of RMB115.4 million; (b) a decrease in prepayments, deposits and other receivables of RMB45.9 million; and (c) an increase in deferred income of RMB44.0 million, partially offset by (d) an increase of trade and bills receivables of RMB178.4 million; and (e) a decrease in trade and bills payables of RMB29.1 million.

Long cash conversion cycle and liquidity mismatch

During the Track Record Period, we noted that it took us long time to turn inventories into cash in our operation primarily due to the inventory stockpiling since 2024 as a result of significant decline of sales performance in 2024, and the lengthening of settlement of our trade receivables from our downstream customers due to their worsening operational performance.

In general, the credit period we granted to our downstream customers ranged from 15 days to 180 days, while the credit period granted by our SiC substrates suppliers was 30 days to 90 days. Our trade receivables turnover days were 115 days, 87 days, 199 days and 172 days for 2022, 2023 and 2024, and five months ended 31 May 2025, respectively. Our trade payables turnover days were 66 days, 50 days, 70 days and 99 days, for 2022, 2023 and 2024, and five months ended 31 May 2025, respectively. The gap between the trade receivables turnover days and trade payable turnover days may result in liquidity mismatch. See "Financial Information — Discussion of Certain Items of Statement of Financial Position — Inventories", "Financial Information — Discussion of Certain Items of

Statement of Financial Position — Trade and Bills Receivables" and "Financial Information — Discussion of Certain Items of Statement of Financial Position — Trade and Bills Payables".

Against the background of long cash conversion cycle and the mismatch of the cash receipts from trade receivables and payments for trade payables during the Track Record Period, we did not generate sufficient cash from our operating activities to finance our investing activities in 2022 and 2024, and therefore had to rely on capital and loan financing. Going forward, we will implement measures to better manage our working capital. See "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges-Improve operational efficiency and capital management".

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of and for the years/period indicated:

	As of and for the year ended December 31,			As of and for the five months ended May 31,
	2022	2023	2024	2025
Gross profit/(loss) margin	20.0%	18.5%	(72.0)%	22.5%
Current ratio	6.9	1.3	0.5	0.7
Quick ratio	6.3	0.8	0.4	0.6
Debt-to-equity ratio	—	46.2%	138.9%	149.4%

Gross Profit/Loss Margin

Gross profit/loss margin is calculated by the gross profit or loss divided by the revenue for the respective year/period and multiplied by 100%. See "— Discussion of Results of Operations" in this section for more details on our gross profit margin.

Current Ratio and Quick Ratio

The calculation of current ratio is based on current assets divided by current liabilities as of the year/period end. Our quick ratio is calculated by our current assets less inventories divided by our current liabilities as of the year/period end.

Our current ratio decreased from 6.9 times as of December 31, 2022 to 1.3 times as of December 31, 2023 and our quick ratio decreased from 6.3 times as of December 31, 2022 to 0.8 times as of December 31, 2023, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; and (ii) an increase in trade and bills payables of RMB157.9 million.

Our current ratio decreased from 1.3 times as of December 31, 2023 to 0.5 times as of December 31, 2024 and our quick ratio decreased from 0.8 times as of December 31, 2023 to 0.4 times as of December 31, 2024, primarily due to the increase in current liabilities outpaced the changes in current assets. The increase in current liabilities was primarily due to an increase in bank loans and other borrowings over the years.

As of May 31, 2025, our current ratio slightly decreased to 0.7 times, and our quick ratio slightly increased to 0.6 times.

Debt-to-equity Ratio

The calculation of debt-to-equity ratio is based on our loans and borrowings divided by total equity for the respective year/period end and multiplied by 100.0%.

Our debt-to-equity ratio increased from 46.2% as of December 31, 2023 to 138.9% as of December 31, 2024, primarily due to an increase in our bank loans and other borrowings from RMB783.7 million as of December 31, 2023 to RMB1,694.2 million as of December 31, 2024. Our debt-to-equity ratio as of May 31, 2025 slightly increased to 149.4%.

CHALLENGES TO OUR INDUSTRY AND OUR BUSINESS

Analysis on Historical Financial Performance

During the Track Record Period, we experienced a strong business growth in 2022 and 2023, with our revenue increasing from RMB436.9 million in 2022 to RMB1,171.2 million in 2023; our revenue decreased to RMB519.6 million in 2024 for the reasons as explained below. Our gross profit decreased significantly from RMB216.6 million in 2023 to a gross loss of RMB374.4 million in 2024. As a result, we recorded a net loss of RMB500.3 million in 2024 as compared to a net profit of RMB95.9 million in 2023.

We believe our significant drop on the financial performance in 2024 as compared 2023 is principally due to the following major factors:

- Decrease in the market price of SiC epitaxial wafers and substrates due to temporary industry oversupply and product iteration; and

- Facing the global trade tension.

In addition to such uncontrollable factors which may continue to persist in the future, we believe the following major challenges may continuously affect our business operations:

- Encountering difficulties in entering framework sales agreements with price or quantity commitment;

- Expansion of the production capacity; and

- Long cash conversion cycle and liquidity mismatch.

Our Strategies to Tackle the Challenges

In response to the current challenges in our industry and our business, we plan to implement the following strategies to cope with the price drop challenges, substantially increase our revenue, enhance our operational efficiency and improve our profitability:

- Expand customer base and increase sales volume;
- Gradually expand our production capacity with a focus on 8-inch SiC epitaxial wafers to secure market share;
- Improve operational efficiency and capital management; and
- Advance technological aspects of products.

After implementation of the aforesaid strategies to tackle the challenges, we recorded an improvement on our business development in the five months ended May 31, 2025 and beyond. Despite a challenging market environment, we plan to continue actively driving sales growth in the rest of 2025 to continue the sales momentum, leveraging recovering customer demand and strengthened sales execution to keep building on our business and financial performance rebound already seen in the five months ended May 31, 2025.

See "Business — Challenges to Our Industry and Our Business."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Regulatory Developments

U.S. Chip Export Restrictions

On October 7, 2022, the U.S. Department of Commerce, the BIS published rules that introduce new restrictions related to semiconductors, semiconductor manufacturing, supercomputers, and advanced computing items and end uses in Chinese Mainland, Hong Kong SAR or Macau SAR (the "**U.S. Chip Export Restrictions**"). BIS' rules on advanced computing and semiconductor manufacturing were implemented in two key areas. First, these rules impose restrictive export controls on certain advanced computing semiconductor chips and software, transactions for supercomputer end-uses, and transactions involving certain entities on the Entity List. Second, these rules impose new controls on certain semiconductor manufacturing items and on transactions for certain integrated circuit end uses. As advised by our International Sanctions Legal Adviser, our activities did not represent a violation of the applicable U.S. export control restrictions. Our Directors are of the view that these recent regulatory developments have not had and will not have any direct and/or indirect material adverse impact on our business operations and financial performance.

Trade Policies

The recent U.S.-China trade tensions have led to the introduction of higher tariffs on various goods traded between the two countries. On December 23, 2024, the Office of the U.S. Trade Representative (the "**USTR**") announced a new investigation (the "**Section 301 Investigation**") to examine Chinese actions allegedly related to targeting of the semiconductor industry for dominance and the impact of such actions on the U.S. under Section 301 of the Trade Act of 1974 (as amended). Although the hearing of the Section 301 Investigation was convened on March 11, 2025 and the USTR has not yet made any further decisions as of the Latest Practicable Date, it may negatively impact our sales to the U.S. as well as our overseas customers' willingness to purchase our products. In addition, between February and April 2025, President Trump imposed multiple tariffs on several major trading partners of the U.S., including Canada, China, the European Union and Mexico. After several rounds of adjustments, the 10% reciprocal tariff on goods imported from China remained but the additional 24% tariff had been temporarily suspended on May 14, 2025 for 90 days. On May 28, 2025, the United States Court of International Trade held that the International Emergency Economic Powers Act ("**IEEPA**") does not authorize any of the worldwide, retaliatory or trafficking tariff orders, vacating those that were challenged. Following the Trump administration's immediate appeal, the U.S. Court of Appeals for the Federal Circuit granted the Trump administration's request for an administrative stay on June 10, 2025 and held an oral argument on July 31, 2025. As such, the IEEPA tariffs remained in effect as of the date of this prospectus. On August 11, 2025, amidst continued negotiations, the two sides announced an additional 90-day extension until November 10, 2025. As of the Latest Practicable Date, the U.S. had imposed 70% tariffs in aggregate on semiconductor products from China, including a 50% Section 301 tariff, a 10% drug-related tariff under the IEEPA and a 10% reciprocal tariff, which became effective on November 10, 2025 until November 10, 2026. As such, there are significant uncertainties with respect to how the political tensions, trade policies and market dynamics between the U.S. and China will evolve. 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 international trade policies and international export controls and economic sanctions."

As confirmed by the PRC Legal Advisors, as of the Latest Practicable Date, China imposes a 10% additional retaliatory tariff on most U.S. goods, pursuant to a temporary trade truce effective until November 10, 2025 and further extended to one year later according to a notice promulgated on November 5, 2025. As further advised by the PRC Legal Advisors, the liability for payment of such tariffs is borne by the importer of the goods in the PRC.

Our Directors confirm that our Group has not engaged in any direct exports of goods or products from China to the U.S. during the Track Record Period and up to the Latest Practicable Date. Furthermore, while our Group made purchases from Supplier A, a U.S.-based supplier, in 2022, 2023 and 2024, we did not make any material procurement from the U.S. for the five months ended May 31, 2025 and up to the Latest Practicable Date. Accordingly, given the fact that we have no U.S. exports and we have no intention to expand our overseas sales to the U.S., our International Sanctions Legal Adviser is of the view, based on which our Directors have formed the view, that the recent regulatory developments on the tariffs imposed by the U.S. on China imports or the retaliatory tariffs imposed by China on U.S. imports did not and will not have a material impact on our business operations.

Outbound Investment Program

On October 28, 2024, the U.S. Department of the Treasury released new regulations (the "**Final Rule**") prohibiting or requiring notification of U.S. outbound investments in certain Chinese-affiliated companies operating in the semiconductor and microelectronics, quantum information technology, and artificial intelligence sectors ("**covered foreign persons**"). The Final Rule took effect on January 2, 2025. The Final Rule imposes additional diligence responsibilities, record-keeping, and notification requirements and restrictions on U.S. persons and their controlled foreign entities. Specifically, depending on the covered foreign person's specific activities, U.S. persons are either prohibited from making certain types of investments in the covered foreign person, or must notify covered investments to the U.S. Department of the Treasury.

Prohibited transactions refer to the prohibition on certain U.S. investments in a covered foreign person engaged in covered activities pertaining to specified categories of advanced technologies and products. A U.S. person may not engage in such transaction unless an exemption for that transaction has been granted. For instance, investments by U.S. persons in covered foreign persons engaged in the following activities in the semiconductor industry reach the threshold for "prohibited transactions" under the Final Rule:

- Developing or producing any electronic design automation software for the design of integrated circuits or advanced packaging;

- Developing or producing specified front-end semiconductor fabrication equipment, equipment for performing volume advanced packaging, or commodity, material, software, or technology designed exclusively for use in or with extreme ultraviolet lithography fabrication equipment;

- Designing integrated circuits that meet or exceed the performance parameters listed in ECCN 3A090.a (under the EAR), or integrated circuits for operation at or below 4.5 Kelvin;

- Fabricating certain advanced integrated circuits with specified parameters; or

- Packaging any integrated circuit using advanced packaging techniques.

Notifiable transactions refer to the transactions where the business activities conducted by a covered foreign person do not reach the threshold for prohibited transactions but still require notification by a U.S. person of their transactions to the Department of Treasury. For instance, transactions are notifiable if the covered foreign person in the semiconductor sector is engaged in the design, fabrication and packaging of ICs that do not meet the specific threshold mentioned above. A U.S. person shall file a notification of their covered transactions with the Department of Treasury.

We believe our business activities do not fall within the "prohibited or notifiable transaction categories" under the Final Rule, as our products do not fall into the specified categories of the advanced technologies and products as mentioned above which may render our business activities prohibited under the Final Rule, nor do we engage in design, fabrication or package of an IC or developing of an AI system which may render our business activities notifiable under the Final Rule. Accordingly, investments by U.S. persons in our publicly traded shares on the Stock Exchange would not constitute "covered transactions" as defined in the Final Rule.

Recent Development on Business Operations

Subsequent to the Track Record Period, in spite of a decreasing trend in the selling price of our products, we are taking measures to improve our operational efficiency and narrow our losses through different means. Due to our continuous efforts, we have achieved the following positive results:

- We recorded an increase in revenue for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024, demonstrating a continuous improvement on financial performance;

- We recorded gross profit for the nine months ended September 30, 2025 compared to gross loss for the nine months ended September 30, 2024;

- We turned our net loss position for the nine months ended September 30, 2024 to a net profit position for the nine months ended September 30, 2025, which was primarily attributable to our improvement in gross profit;

- We have seen improvement in our inventory turnover days. For the five months ended May 31, 2025, we recorded inventory turnover days of 267 days, showing an improvement from the inventory turnover days in 2024, being 308 days. Our inventory turnover days has been further decreased to 219 days for the nine months ended September 30, 2025 based on relevant unaudited management accounts; and

- As a result of our efforts to prioritize the usage of long-aged inventories, up to September 30, 2025, 90.3%, 91.3% and 86.0% of our 4-inch, 6-inch and 8-inch epitaxial wafer-related inventories aged over one year as of May 31, 2025, respectively, were utilized or sold. Subsequent to the Track Record Period and up to September 30, 2025, we had utilized 96.0% of the SiC epitaxial wafer-related inventories as of December 31, 2024, and 93.8% of the SiC epitaxial wafer-related inventories aged over one year as of December 31, 2024.

We have continued to approach potential customers with manufacturing demand for SiC epitaxial wafers and entered into five additional framework sales agreements subsequent to the Track Record Period and up to September 30, 2025.

We have sold 85,117 pieces of SiC epitaxial wafers (including both self-manufactured SiC epitaxial wafers and those under foundry services) subsequent to the Track Record Period and up to September 30, 2025, consisting of 39, 74,878 and 10,200 pieces of 4-inch, 6-inch and 8-inch SiC epitaxial wafers, respectively. Therefore, our sales volume for the nine months ended September 30, 2025 totaled 162,826 pieces, which was a substantial increase of 180.1% from 58,140 pieces sold for the nine months ended September 30, 2024.

For the five months ended May 31, 2025, the utilization rate of our headquarters production base equaled 58.9%, showing a great improvement from the utilization rate in 2024, primarily attributable to increased purchase orders due to downstream demand. For the four months ended September 30, 2025, our utilization rate further improved to 77.1%. Besides, for the five months ended May 31, 2025, our purchase amount from PRC-based suppliers accounted for 99.8% of our total purchase amount of raw materials while there was no material change on our domestic substitution approach subsequent to May 31, 2025 and up to the Latest Practicable Date.

Our Directors have confirmed that, save as disclosed above, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since May 31, 2025, being the end of the Track Record Period as reported in the Accountants' Report as set out in Appendix I, and there had been no event since May 31, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$58.00 per H Share
Market capitalization of our Shares immediately after completion of the Global Offering(1)	HK$22,810 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$7.71

Notes:

(1) The calculation is based on the assumption that 393,268,511 Shares is expected to be in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share is calculated after the adjustment referred to in "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 393,268,511 Shares in issue immediately following the completion of the Global Offering, assuming that the Overallotment Option is not exercised.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations.

Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. See "Financial Information — Dividends."

In view of our accumulated losses as of May 31, 2025, as advised by our PRC Legal Advisors, we are not able to declare or pay any dividend until we have distributable profits after the accumulated losses have been made up and statutory reserves have been drawn in accordance with relevant laws and regulations and the Articles of Association.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was controlled by (i) Mr. Li as to approximately 29.05% in his personal capacity directly, and through Dinghong Investment as to approximately 5.58%, Runsheng Investment as to approximately 3.19%, and Wanghe Investment as to approximately 2.33%, indirectly; and (ii) Mr. Au Yeung as to approximately 18.21% in his personal capacity directly. Dinghong Investment, Runsheng Investment and Wanghe Investment are limited partnerships established in the PRC and ESOP Platforms of our Group. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su, the spouse of Mr. Li.

Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that, except for the situations where they shall abstain from voting in relevant connected transactions, they shall act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li.

As such, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders, who collectively held 58.36% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will collectively hold approximately 53.90% of our total issued Shares. Accordingly, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will remain as a group of Controlling Shareholders upon Listing.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the Listing pursuant to the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2024, being approximately RMB519.6 million (equivalent to approximately HK$562.1 million), which is over HK$500 million; and (ii) our expected market capitalization at the time of Listing, which, based on the Offer Price of HK$58.00 per H Share, exceeds HK$4 billion.

LISTING EXPENSES

Based on the Offer Price of HK$58.00 per Share, the total estimated listing expenses in relation to the Global Offering are RMB66.5 million (HK$73.0 million), assuming the Over-allotment Option is not exercised, which constitute approximately 4.2% of the gross proceeds. Our total listing expenses consist of (i) underwriting-related expenses and fees (including underwriting commissions, Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB36.4 million (HK$39.9 million); and (ii) non-underwriting-related expenses of RMB30.1 million (HK$33.1 million), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of RMB19.8 million (HK$21.8 million) and (b) other fees and expenses of RMB10.3 million (HK$11.3 million). Among the total listing expenses, RMB6.1 million had been charged to profit or loss in 2024 and the five months ended May 31, 2025 and RMB12.1 million is expected to be charged to profit or loss for the year ending December 31, 2025, and RMB48.3 million directly attributable to the issue of the H Shares is expected to be deducted from equity upon the completion of the Global Offering. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,671.1 million from the Global Offering, after deducting the estimated underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, assuming that an Offer Price of HK$58.00 per Share and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds as follows:

- approximately 62.5%, or HK$1,044.4 million, is expected to be used to expand our overall production capacity over the next five years, thereby enhancing our market share and product competitiveness;

- approximately 15.1%, or HK$252.3 million, is expected to be used for enhancing our independent R&D and innovation capabilities over the next five years to improve product quality and shorten the development cycle of new products, so as to respond more quickly to the market demand;

- approximately 10.8%, or HK$180.5 million, is expected to be used for strategic investments and/or acquisition to expand customer base, enrich our product portfolios and supplement our technologies to achieve our long-term growth strategies;

- approximately 2.1%, or HK$35.1 million, is expected to be used for expanding our global sales and marketing network; and

- approximately 9.5%, or HK$158.8 million, is expected to be used for working capital and general corporate purposes.

See "Future Plans and Use of Proceeds."

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- A majority of our revenue was generated from the PRC and a portion of our sales and purchases are from countries outside the PRC during the Track Record Period. As such, our business is susceptible to any policy changes affecting the semiconductor industries worldwide and in China which may materially and adversely affect our business.

- Our performance is subject to fluctuations in prices, and shortage in supplies, of raw material, and demands from our downstream industries that adopt our products. Any changes in the raw material costs and supplies or slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

- The price of our products may be adversely affected by several factors, including adjustments to the purchase prices of our products under our framework sales agreements with our customers and the continuing expansion of production capacity in the China and global SiC epitaxial wafer industry, which may lead to further oversupply of SiC epitaxial wafer products in the market.

- 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 historical performance may not be indicative of our future results, and we may not be able to manage our growth or execute our business strategies effectively. In particular, we incurred net losses for the year ended December 31, 2024.

- 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.

- We are exposed to concentration and counterparty risks from our major suppliers and customers.

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

See “Risk Factors.”

THE COVID-19 PANDEMIC

COVID-19 pandemic within the Track Record Period occurred in 2022 and 2023. Overall, we had effective prevention and control measures, and alternative production arrangements such as (i) rearrangement of the production schedule to minimize the manpower at the same premises at a particular point of time during the production; and (ii) allowing the supporting staff for the production to work from home so as to maintain minimal and necessary on-site staff to keep the continuing production of our products. Although some of our employees were infected during the epidemic, we did not experience any production halt during the COVID-19 pandemic, and our business operations were not affected, as evidenced by our significant increase in revenue from RMB436.9 million in 2022 to RMB1,171.2 million in 2023. As such, our Directors are of the view that the COVID-19 pandemic does not have any material adverse effect on our business operations, financial position or future prospects.

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

DEFINITIONS

"Accountants' Report"	the accountants' report for the Track Record Period of our Company, the text of which is set out in Appendix I to this prospectus;
"Acting-in-concert Agreement"	the acting-in-concert agreement dated June 4, 2023 entered into between Mr. Li and Mr. Au Yeung;
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of our Board;
"Board" or "Board of Directors"	our board of Directors;
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
"Capital Market Intermediaries" or "capital market intermediary(ies)"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules;
"Chairman"	chairman of our Board;
"China" or "Chinese Mainland" or "PRC"	the People's Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"close associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Companies Ordinance"	the Companies Ordinance of Hong Kong (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"	Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司) (formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd.* (東莞市天域半導體科技有限公司) and Dongguan Tianyu Silicon Carbide Technology Co., Ltd.* (東莞市天域碳化硅科技有限公司), a limited liability company established in the PRC on January 7, 2009 and subsequently converted into a joint stock company with limited liability on November 8, 2022;
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time;
"Concert Parties"	refer to Mr. Li and Mr. Au Yeung, and "Concert Party" means any one of them;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment, as further detailed in the section headed "Relationship with Our Controlling Shareholders";
"Designated Bank"	HKSCC Participant's EIPO Designated Bank;

"Dinghong Investment"	Dongguan Dinghong Investment Consulting Center (Limited Partnership)* (東莞市鼎弘投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 6, 2020, which is held by 45 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 44 limited partners holding 99% of partnership interest in aggregate, including eight individuals who are Directors, Supervisors or members of senior management of our Company holding approximately 75.33% of partnership interest in aggregate and 36 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 23.67% of partnership interest in aggregate. Dinghong Investment is one of our ESOP Platforms and one of our Controlling Shareholders;
"Director(s)"	the director(s) of our Company;
"Dongguan Yuebao"	Dongguan Yuebao Digital Disc Company Limited* (東莞市粵寶數碼光盤有限公司), a limited liability company established in the PRC, and owned as to 50% by Mr. Li and 50% by Mr. Au Yeung, respectively;
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
"Employee Incentive Scheme"	the employee equity incentive scheme of our Company which was adopted on January 22, 2022, a summary of the principal terms of which is set forth in "E. Employee Incentive Scheme" in Appendix VII to this prospectus;
"ESOP Platforms"	Dinghong Investment, Runsheng Investment and Wanghe Investment;
"Exchange Participant(s)"	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange;
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below;

"Fast Interface for New Issuance" or "FINI"	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings;
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party;
"F&S Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus;
"Global Offering"	the Hong Kong Public Offering and the International Offering;
"Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be);
"Guide"	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time;
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and to be listed on the Stock Exchange;
"H Shareholder(s)"	holder(s) of H Share(s);
"H Share Registrar"	Tricor Investor Services Limited;
"Hengxin Research Institute"	Dongguan Hengxin Third-Generation Semiconductor Research Institute* (東莞市恒信第三代半導體研究院), a private non-enterprise entity (民辦非企業單位) established under the laws of the PRC on October 5, 2019 by Southern Semiconductor;
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**;

"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**;
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a clearing participant or a custodian participant under HKSCC to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf;
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
"HKSCC Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force;
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong dollar(s)" or "HKD" or "HK$"	Hong Kong dollars(s), the lawful currency of Hong Kong;
"Hong Kong Offer Shares"	the 3,007,050 H Shares initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus;
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), subject to and in accordance with the terms and conditions set out in this prospectus;
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus;

"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 25, 2025 relating to the Hong Kong Public Offering entered into among our Company, the Controlling Shareholders, the Sole Sponsor, the Sponsor-Overall Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting — The Hong Kong Public Offering" in this prospectus;
"Independent Third Party(ies)"	individual(s) or company(ies) which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is/are not our connected persons;
"International Offer Shares"	the 27,063,450 H Shares initially being offered for subscription under the International Offering, together, where relevant, with any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus;
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering" in this prospectus;
"International Underwriters"	the underwriters expected to enter into the International Underwriting Agreement relating to the International Offering;
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Controlling Shareholders, the Sole Sponsor, the Sponsor-Overall Coordinator and the International Underwriters on or about December 3, 2025, as further described in the section headed "Underwriting — The International Offering" in this prospectus;
"Joint Bookrunners"	the bookrunners as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus;
"Joint Global Coordinators"	the global coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus;
"Joint Lead Managers"	the lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus;

"Latest Practicable Date"	November 21, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication;
"Listing"	the listing of our H Shares on the Main Board;
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange;
"Listing Date"	the date, expected to be on or about Friday, December 5, 2025, on which dealings in our H Shares first commence on the Main Board;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange;
"Mr. Au Yeung"	Mr. Au Yeung Chung (歐陽忠), one of our founders, a non-executive Director, one of the Concert Parties and one of our Controlling Shareholders;
"Ms. Su"	Ms. Su Qin (蘇琴), the spouse of Mr. Li and one of our Controlling Shareholders;
"Mr. Li"	Mr. Li Xiguang (李錫光), one of our founders, our Chairman, an executive Director, one of the Concert Parties and one of our Controlling Shareholders;
"Nomination Committee"	the nomination committee of our Board;
"Offer Price"	HK$58.00 per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as described in section headed "Structure of the Global Offering" in this prospectus;
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares;

"Overall Coordinator"	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited (together, "Overall Coordinators");
"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, as amended, supplemented or otherwise modified from time to time;
"Over-allotment Option"	the option to be granted by our Company to and exercisable by the Sponsor-Overall Coordinator (for itself and the International Underwriters on behalf of the other International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 4,510,550 additional H Shares (representing approximately 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering — Over-allotment Option" in this prospectus;
"PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them;
"PRC Legal Advisors"	DeHeng Law Offices (Shenzhen), our legal advisors as to PRC laws in connection with the Global Offering;
"Pre-IPO Investments"	the investments made by the Pre-IPO Investors, the principal terms of which are summarized in "History, Development and Corporate Structure — Pre-IPO Investments" in this prospectus;
"Pre-IPO Investors"	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in "History, Development and Corporate Structure — Pre-IPO Investments" in this prospectus;
"Regulation S"	Regulation S under the U.S. Securities Act;
"Remuneration Committee"	the remuneration committee of our Board;
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC;
"Reporting Accountants"	KPMG, the reporting accountants of our Company;

"Runfu Hong Kong"	Hong Kong Runfu semiconductor Technology Limited (香港潤福半導體科技有限公司), a company incorporated in Hong Kong with limited liability on February 18, 2025, which is an indirect wholly-owned subsidiary of our Company;
"Runfu Technology"	Guangdong Zhuhai Runfu Technology Co., Ltd.* (廣東珠海潤福科技有限公司), a limited liability company established in the PRC on December 30, 2024, which is a direct wholly-owned subsidiary of our Company;
"Runsheng Investment"	Dongguan Runsheng Investment Consulting Center (Limited Partnership)* (東莞市潤生投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 5, 2020, which is held by 43 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 42 limited partners holding 99% of partnership interest in aggregate, including four individuals who are Directors or Supervisors holding approximately 75.10% of partnership interest in aggregate and 36 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 23.90% of partnership interest in aggregate. Runsheng Investment is one of our ESOP Platforms and one of our Controlling Shareholders;
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong;
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each;
"Shareholder(s)"	holder(s) of the Share(s);
"Sole Sponsor"	CITIC Securities (Hong Kong) Limited;
"Southern Semiconductor"	Dongguan Southern Semiconductor Technology Co., Ltd.* (東莞南方半導體科技有限公司), a limited liability company established in the PRC on November 23, 2016, which is a direct non-wholly owned subsidiary of our Company;
"Sponsor-Overall Coordinator"	CLSA Limited;
"Stabilizing Manager"	CLSA Limited;
"State Council"	the State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Strategic and ESG Committee"	the strategic and ESG committee of our Board;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Supervisor(s)"	member(s) of our Supervisory Committee;
"Supervisory Committee"	the supervisory committee of our Company;
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
"Tianma Technology KY"	Tianma Technology Limited, an exempted company incorporated in the Cayman Islands with limited liability on March 3, 2025, which is an indirect wholly-owned subsidiary of our Company;
"Tianma Technology SG"	Tianma Technology (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability on March 19, 2025, which is an indirect wholly-owned subsidiary of our Company;
"Tianyao Technology"	Tianyao Technology (Malaysia) Sdn. Bhd., a company incorporated in Malaysia with limited liability on April 16, 2025, which is an indirect wholly-owned subsidiary of our Company;
"Tianyu Gongchuang"	Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd.* (東莞市天域共創投資諮詢有限公司), a limited liability company established in the PRC on July 9, 2020, which is owned as to 99% by Mr. Li and 1% by Ms. Su, the spouse of Mr. Li. Tianyu Gongchuang is one of our Controlling Shareholders;
"Track Record Period"	the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025;
"Underwriters"	the Hong Kong Underwriters and the International Underwriters;
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

"Unlisted Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which is/are not listed or traded on any stock exchange;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"U.S. dollar(s)" or "USD" or "US$"	United States dollar(s), the lawful currency of the United States;
"U.S. persons"	U.S. persons as defined in Regulation S;
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time; and
"Wanghe Investment"	Dongguan Wanghe Investment Consulting Center (Limited Partnership)* (東莞市旺和投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 5, 2020, which is held by 25 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 24 limited partners holding 99% of partnership interest in aggregate, including five individuals who are Directors or Supervisors of our Company holding approximately 83.77% of partnership interest in aggregate and 19 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 15.23% of partnership interest in aggregate. Wanghe Investment is one of our ESOP Platforms and one of our Controlling Shareholders.

ACRONYMS

"AFRC"	the Accounting and Financial Reporting Council established by section 6(1) of the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), formerly known as the Financial Reporting Council;
"ASP"	average selling price;
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;

"Comprehensively Sanctioned Countries"	Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/ Ukraine and the self-proclaimed Luhansk People's Republic ("**LPR**") and self-proclaimed Donetsk People's Republic ("**DPR**") regions;
"CSDC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司);
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會);
"EAR"	the Export Administration Regulations administered by the BIS;
"ESG"	environmental, social and governance;
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board;
"International Sanctions"	all applicable laws and regulations to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the U.S. Government, the European Union and its member states, the United Kingdom, the United Nations or Government of Australia;
"International Sanctions Legal Adviser"	Hogan Lovells, our legal adviser as to International Sanctions laws in connection with the Listing;
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部);
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部);
"MOFCOM" or "Ministry of Commerce"	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);
"OFAC"	the U.S. Department of Treasury's Office of Foreign Assets Control;

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"Primary Sanctioned Activity"	any activities in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation;
"R&D"	research and development;
"Region subject to International Sanctions"	region for which Relevant Jurisdictions maintain various forms of sanctions programs in place;
"Relevant Jurisdiction"	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purpose of this prospectus, the Relevant Jurisdictions include the United States, the European Union, the United Nations, the United Kingdom and Australia;
"Relevant Persons"	the Company, together with its investors and shareholders and persons who might directly or indirectly, be involved in permitting the listing, trading clearing and settlement of its shares including the Stock Exchange and related group companies;
"Relevant Regions"	Afghanistan, Balkans, Belarus, Democratic Republic of the Congo, Egypt, Hong Kong, Iraq, Lebanon, Libya, Mali, Myanmar, Russia (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions), Somalia, Tunisia, Turkey, Ukraine (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions) and Zimbabwe;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局);

"Sanctioned Country"	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction;
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Comprehensively Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii);
"SCNPC"	The Standing Committee of the National People's Congress (全國人民代表大會常務委員會);
"SDN"	Specially Designated Nationals and Blocked Persons;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局); and
"VAT"	value-added tax.

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

Certain amounts and percentage figures included in this prospectus were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregation of the figures preceding them.

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

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.

"ASP"	average selling price
"bandgap"	the energy difference in semiconductors between the top of the valence band and the bottom of the conduction band. Wide bandgap semiconductors permit devices to operate at much higher voltages, frequencies, and temperatures than conventional semiconductors
"basal plane dislocation"	a specific type of defect in crystal structures where the arrangement of atoms is misaligned along the basal plane, which can affect the material's electrical and mechanical properties
"bidirectional structure"	a single-component power switch capable of handling power flow in both directions, offering cost and efficiency advantages in applications like EVs and renewable energy generation
"Class 100"	a category of classification of air cleanliness based on particle concentration
"CVD"	chemical vapor deposition, a process in which gaseous chemicals react on a heated wafer surface to form solid film
"DC/DC converters"	an electronic circuit that converts a source of direct current (DC) from one voltage level to another
"doping concentration"	the amount of impurity atoms intentionally added to a semiconductor material to modify its electrical properties
"downfall defects"	morphological defects formed during the epitaxial growth of SiC, where particulate matter from the inner walls of the reaction chamber, such as black amorphous carbon, SiC fragments, or dusts, falls onto the substrate or epitaxial layer surface and becomes embedded in the subsequently grown epitaxial wafer layer
"epitaxial"	a process where layers of a material are grown on top of a crystal substrate in a way that maintains the same crystal structure, allowing for better performance in electronic devices

"epitaxial growth"	a process of crystal growth or material deposition where new crystalline layers are formed with well-defined orientations on a crystalline seed layer, enhancing the performance of semiconductor devices
"EVs"	electric vehicles
"eVTOL"	electric vertical take-off and landing, a type of aircraft that uses electric power to hover, take off, and land vertically
"fabless"	an integrated circuit design company that does not own a chip manufacturing plant and only focuses on design
"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
"GaN"	gallium nitride, a binary III/V direct bandgap semiconductor well-suited for high-power transistors capable of operating at high temperatures. It is acknowledged for its capability to enhance power system efficiency, performance and system cost
"IATF16949"	international technical specification of automotive industry quality management system, which prepared by International Automotive Task Force (IATF) and ISO
"ICs"	integrated circuits, tiny electronic circuits made up of many components like transistors and resistors, all combined on a single chip to perform various functions in devices like computers and smartphones
"IDM"	integrated device manufacturer, a company that takes charge of design, manufacturing, packaging, testing and subsequent sales of the finished products
"ISO"	the International Organization for Standardization, a worldwide federation of national standards bodies
"ISO14001"	the Environmental Management System published by the ISO
"ISO45001"	the Occupational Health and Safety Management System published by the ISO
"ISO9001"	the International Quality Management System published by the ISO

"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/period, which is subject to the respective timing of completion of installation and debugging of each piece of our equipment in that year/period
"modules"	packaged components that include integrated circuits or other electronic components, which are used to build larger systems or devices. They are essential for enhancing performance, efficiency, and scalability in electronic products
"moves"	the individual steps or processes that a wafer undergoes during its production process, including all transitions between equipment and processing stages. The total number of moves indicates the complexity and length of the production cycle
"OBC"	on-board charger, a power electronics device for electric vehicle batteries 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
"on-resistance"	the total resistance between the drain and source terminals of a field-effect transistor (FET) when it is in operation. It is a critical parameter in power devices, as it directly impacts the power loss during operation, with lower on-resistance resulting in lower power loss
"power density"	the amount of power processed per unit volume or unit area
"production capacity"	the theoretical operational capacity of manufacturing equipment under the most ideal circumstances
"radiation resistance"	the ability of semiconductor devices to withstand and function in high radiation environments
"SiC"	silicon carbide, a semiconductor material used in various electronic applications
"sq.m."	square meter(s)
"substrate"	the base layer of material used in the manufacturing process of semiconductor devices and integrated circuits. It is typically a thin slice of single-crystal silicon, gallium arsenide or other semiconductor materials. Various circuit components are grown and fabricated on the substrate

"voltage resistance"	the ability of semiconductor devices to withstand overvoltage. It is usually characterized by the voltage value of the device at the time of breakdown or current reaching a specific value
"wafer"	a thin slice of semiconductor material, used in the manufacture of ICs and other microelectronic devices
"4H-SiC"	a specific polytype of SiC, characterized by its unique crystalline structure, where the "4H" refers to its hexagonal lattice structure with a periodic stacking sequence repeated every four layers. It is the most widely used SiC polytype for high-power and high-frequency electronic applications due to its exceptional material properties

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

This prospectus contains certain forward-looking statements and information relating to our Company that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and potential changes facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- general political and economic conditions;
- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry or in the world and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed "Risk Factors."

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, 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 prospectus 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 prospectus are qualified by reference to the cautionary statements in this section.

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

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial condition, results of operations or prospects. The trading price of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. 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 will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A majority of our revenue was generated from the PRC and a portion of our sales and purchases are from countries outside the PRC during the Track Record Period. As such, our business is susceptible to any policy changes affecting the semiconductor industries worldwide and in China which may materially and adversely affect our business.

During the Track Record Period, substantially all of our business operations were based in China and a majority of our revenue was derived from our sales in China. As such, we are dependent on policies affecting the semiconductor industry in China. In recent years, China has been promoting and reshaping its domestic semiconductor industry through policy changes, leading to its semiconductor industry growing at a fast pace over the past few years. Many semiconductor companies, including us, have leveraged on such favorable policies. As such, our future prospects, success and continuous growth depend and will continue to depend on the strong support of the PRC government to the semiconductor industry in the foreseeable years.

In addition, in recent years, governments around the world have been enacting favorable policies related to SiC epitaxial wafers. During the Track Record Period, our revenue from countries and regions outside the PRC amounted to RMB54.9 million, RMB518.2 million, RMB44.8 million and RMB1.2 million, respectively, for the years ended December 31, 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 12.6%, 44.2%, 8.6% and 0.5%, respectively, of our total revenue during the same years/period. During the Track Record Period, our purchases from countries and regions outside the PRC amounted to RMB68.1 million, RMB38.2 million, RMB14.2 million and RMB0.2 million, respectively, for the years ended December 31, 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounted for 24.3%, 3.6%, 3.0% and 0.2%, respectively, of our total purchases during the same years/period. Other than the revenue generated in 2023, the proportion of revenue and purchases from countries and regions outside the PRC kept decreasing. Having said that, we will keep monitoring the business opportunities in the overseas market and we may continue to generate sales and make purchases from countries and regions outside the PRC. If relevant sales or purchases become materialized in the coming future, any decrease in such sales and purchases may adversely affect our business, financial condition and results of operations.

We cannot assure you that the governments in the PRC and worldwide will continue to promote and implement favorable policies for the semiconductor industry, or maintain the policies currently in effect to the semiconductor industry, and in turn, favorable to us. As a result, if such policies change or discontinue in the future, our financial performance and future business growth could be materially and adversely affected.

Our performance is subject to fluctuations in prices, and shortage in supplies, of raw material, and demands from our downstream industries that adopt our products. Any changes in the raw material costs and supplies or 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 in prices of raw materials and shortage in supplies. In particular, we depend on third-party 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. Our material costs amounted to RMB231.2 million, RMB667.1 million, RMB374.8 million, RMB189.3 million and RMB146.8 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, representing 66.2%, 69.9%, 41.9%, 58.4% and 73.8% of our total cost of sales in the same years/periods. 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. A fluctuation in raw material prices may disrupt our supply chain and increase our production costs. We cannot guarantee we will not in the future experience price fluctuations of raw materials. In case of material changes in raw material prices, we may need to consider adjusting our pricing policy for our SiC epitaxial wafer products, which could affect the sales volume of such products, thereby materially and adversely affecting our operational performance and financial condition. Moreover, we cannot guarantee we will not in the future experience supply shortages of raw materials. In such event, we may be required to seek alternative sources of supply and there is no guarantee that we will be able to obtain such supplies in a timely manner and at reasonable prices and on commercially reasonable terms, or at all. If we are unable to keep up with demand for our products due to the failure to procure the raw materials we need, our customers may reduce, delay or cancel their orders and our business could be adversely affected.

In addition, 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, including new energy industries (such as electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances.

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;
- 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 robust 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.

The price of our products may be adversely affected by several factors, including adjustments to the purchase prices of our products under our framework sales agreements with our customers and the continuing expansion of production capacity in the China and global SiC epitaxial wafer industry, which may lead to further oversupply of SiC epitaxial wafer products in the market.

The price of our products may be adversely affected by several factors. For example, we typically enter into framework sales agreements with some customers, which contain, among others, initially agreed purchase prices subject to adjustments as negotiated by both parties. For the adjustment scheme, see "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Expand Customer Base and Increase Sales Volume." As we do not stipulate floor prices in our framework sales agreements, the prices may be adjusted upwards or downwards, and any downward adjustments in these prices may adversely affect our operational results and financial conditions.

China and 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. During the Track Record Period, there was a downward trend in the average selling price of our SiC epitaxial wafer products from RMB9,276 in 2022 to RMB8,831 in 2023 and further to RMB6,753 in 2024, and from RMB7,924 for the five months ended May 31, 2024 to RMB3,813 for the five months ended May 31, 2025. 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. In the event that the supply of epitaxial wafer products far exceeds the demand for such products, we may experience further price reduction, which could adversely affected our profitability and results of operations.

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 and our distributors 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.

Our historical performance may not be indicative of our future results, and we may not be able to manage our growth or execute our business strategies effectively. In particular, we incurred net losses for the year ended December 31, 2024.

We experienced fluctuations in our historical performance during the Track Record Period. In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, our revenue was RMB436.9 million, RMB1,171.2 million, RMB519.6 million, RMB297.3 million and RMB256.8 million, respectively. We incurred net losses of RMB500.3 million for the year ended December 31, 2024. Besides, we offered suboptimal epitaxial wafers at a discount rate as one of the possible ways under our inventory management approach, which resulted in negative gross profit margin during the Track Record Period. We may continue to sell suboptimal epitaxial wafers, which may further impact our gross profit margin. 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. Accordingly, investors 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 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 — Inventory Management." As of December 31, 2022, 2023 and 2024 and May 31, 2025, we had inventories of RMB89.9 million, RMB394.5 million, RMB183.4 million and RMB99.0 million, respectively. During the Track Record Period, we made provision for write-down of inventories amounting to RMB14.7 million, RMB21.3 million, RMB315.1 million and RMB3.2 million, respectively, for each of the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025. We made provision for write-down of 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 144 days, 113 days, 308 days and 267 days, respectively. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — 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.

We are exposed to concentration and counterparty risks from our major suppliers and customers.

We primarily purchase raw materials from raw material production companies, and semiconductor devices, equipment and machinery from equipment supply companies. During the Track Record Period, we made purchases primarily from a limited number of suppliers. In particular, purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB236.7 million, RMB937.6 million, RMB409.1 million and RMB58.0 million, respectively, representing 84.5%, 88.7%, 86.9% and 74.7% of our total purchases for the respective years/period. Purchases attributable to our largest supplier in each year/period during the Track Record Period amounted to RMB149.7 million, RMB363.7 million, RMB239.9 million and RMB27.5 million, respectively, accounting for 53.4%, 34.4%, 51.0% and 35.4% of our total purchases. In particular, Supplier A remained our largest supplier in 2022, 2023 and 2024. Our purchases from Supplier A amounted to RMB149.7 million, RMB363.7 million, RMB239.9 million and nil in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, accounting for 53.4%, 34.4%, 51.0% and nil of our total purchases in the respective years/period. See "Business — Procurement and Supply — Our Suppliers — Major Suppliers."

In addition, we generated a significant portion of revenue from a small group of customers in each year/period during the Track Record Period, including customers engaging in the R&D, production and sales of semiconductor chips and other related products. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB268.5 million, RMB904.1 million, RMB391.0 million and RMB158.8 million, respectively, representing 61.5%, 77.2%, 75.2% and 61.8% of our total revenue for the respective years/period, while the largest customer in each year/period during the Track Record Period amounted to RMB92.1 million, RMB491.8 million, RMB225.9 million and RMB42.6 million, respectively, accounting for 21.1%, 42.0%, 43.5% and 16.6% of our total revenue for the respective periods. See "Business — Sales and Marketing — Our Customers." In particular, Customer J was one of our five largest customers in 2023 and 2024. Our revenue generated from Customer J amounted to RMB1.2 million, RMB491.8 million, RMB36.0 million and nil in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, accounting for 0.3%, 42.0%, 6.9% and nil of our total revenue in the respective years/period.

Our reliance on these major suppliers and customers subjects us to the concentration and counterparty risk from these suppliers and customers. We cannot assure you that we will be able to maintain relationships with our major suppliers and customers in the future. If any of these major suppliers decide to substantially reduce the supply or terminate their cooperation with us in the future, we may not be able to find suitable alternative suppliers in a timely manner, or at all, in order to guarantee the supplies to our business operations. Likewise, any decrease in sales to, or loss of, one or more of our major customers would harm our business, financial condition and results of operations. Moreover, we cannot guarantee that our major suppliers or customers 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 have negative impacts on the quality of their products and services supplied to us and, any material adverse change to the operation, financial performance or financial condition of our major customers may affect their purchase amount from us, and therefore may result in material adverse impact on their business with us, which may further affect our business operations and profitability. 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. If our major customers cease to purchase our products, there can be no assurance that we will be able to develop new customers or maintain or increase collaboration with our existing customers. Should any of the above circumstances 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 international trade policies and international export controls and economic sanctions.

The U.S. has imposed export control measures that directly or indirectly affect China-based technology companies, and such potential restrictions may materially and adversely affect our and our business partners' abilities to acquire technologies, systems, devices or components. 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. 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 for production or otherwise the 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, export controls and other trade restrictions directed at China.

If we export our products to countries which are subject to export controls or economic sanctions in the future or if the scope of the export controls or economic sanctions are expanded, our sales to overseas customers and procurement from overseas suppliers may be adversely affected. There is no guarantee that our overseas customers will not reduce or cancel their orders, or our overseas suppliers will not cease their sales to us, due to adverse international trade policies and international export controls and economic sanctions. For example, we made substantial purchases from Supplier A, a company incorporated in the U.S., during the Track Record Period. Our purchases from Supplier A amounted to RMB149.7 million, RMB363.7 million, RMB239.9 million and nil in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, accounting for 53.4%, 34.4%, 51.0% and nil of our total purchases in the respective years/period. Considering our substantial purchases of SiC substrates from Supplier A in 2022, 2023 and 2024, any adverse changes in our relationship with Supplier A due to U.S.-China trade tensions — such as an export restriction or tariff imposition or designation on the Entity List — could increase our procurement costs or affect our ability to fulfill specific customer requirements. However, since the second half of 2024, we have significantly reduced our reliance on Supplier A and have primarily adopted domestic alternatives. While we do not anticipate material operational disruptions, if certain customers specifically require substrates from Supplier A and we are unable to procure them in a timely manner, it may affect our delivery schedule or customer satisfaction.

Additionally, our overseas sales decreased by 91.4% from RMB518.3 million in 2023 to RMB44.8 million in 2024, which was primarily because our sales to Customer J, a subsidiary of a U.S. listed company, decreased from RMB491.8 million in 2023 to RMB36.0 million in 2024. It is possible that we may encounter practical difficulties when trying to secure business opportunities from potential customers with a U.S. background like Customer J in view of the recent developments in U.S.-China trade tensions. In addition, our expansion into other countries and regions may not be executed as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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. Export controls and economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in other countries and could result in restrictions, penalties or fines. For instance, the U.S.-China trade tensions have led to the introduction of high tariffs on a host of goods trading between the two countries, including high-technology goods, semiconductors, and electronics. The trade tensions between the two countries have been rising and there is a possibility that the extent and scale of trade restrictions between the two countries be escalated if the U.S. and China fail to reach any agreement to settle the issues. For instance, the recent tariff war between the U.S. and China has introduced further uncertainties for global supply chains and investment decisions, particularly in the high-tech and semiconductor sectors. Both countries have announced or proposed new rounds of tariff measures, and the outcome remains unpredictable. For the latest development of the trade tensions, see "Recent Development and No Material Adverse Change — Recent Regulatory Developments — Trade Policies." There is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be being subject to such export controls, sanctions, tariffs, or new trade policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact on our industry and the global economy.

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. During the Track Record Period, we had sales to one non-sanctioned customer located in a region subject to International Sanctions. The revenue generated from such sales was approximately RMB0.7 million, RMB2.1 million, nil and nil for the three years ended December 31, 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, representing approximately 0.2%, 0.2%, nil and nil of our total revenue for the corresponding years/period, respectively. As advised by our International Sanctions Legal Adviser, these sales created secondary sanctions exposure. See "Business — International Sanctions and U.S. Export Control Implications — Legal Proceedings and Compliance — Business Activities with One Non-sanctioned Customer Located in a Region subject to International Sanctions." Additionally, we had sales with certain customers designated on the Entity List maintained by the BIS. See "Business — International Sanctions and U.S. Export Control Implications — Business Activities with Certain Entities subject to U.S. Export Control Restrictions." We have no control over the countries to which the downstream customers will sell and/or export their end products. There is no assurance that our downstream customers will not engage in export sale of their end products (which contain our SiC epitaxial wafers) into the U.S. or other countries and that the export sale of their end products into the U.S. or other countries will not be subject to the restrictions introduced by the U.S. or other countries. If the export sales of the downstream customers' end products are restricted, prohibited or made subject to any trade restrictions under any international trade policies or international export controls or economic sanctions imposed by any jurisdictions, the downstream customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected. As OFAC has wide discretion to impose penalties under secondary sanctions and US policy stance toward sanctions enforcement may change in the future, we cannot exclude the possibility that we could be sanctioned as a result of past activities or otherwise provide a basis for a sanctions designation of our Group. If OFAC exercises its discretion to designate us, our business, operations and our banking relationships with overseas entities subject to the jurisdiction to the OFAC may be materially and adversely affected. Furthermore, if BIS were to add us to the Entity List or our procurement of substrates.

On October 28, 2024, the U.S. Department of the Treasury released new regulations (the "**Final Rule**") prohibiting or requiring notification of U.S. outbound investments in certain Chinese-affiliated companies operating in the semiconductor and microelectronics, quantum information technology, and artificial intelligence sectors ("**covered foreign persons**"). The Final Rule took effect on January 2, 2025. The Final Rule imposes additional diligence responsibilities, record-keeping, and notification requirements and restrictions on U.S. persons and their controlled foreign entities. Specifically, depending on the covered foreign person's specific activities, U.S. persons are either prohibited from making certain types of investments in the covered foreign person, or must notify covered investments to the U.S. Department of the Treasury. For details, see "Summary — Recent Development and No Material Adverse Change — Outbound Investment Program."

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. Our business and reputation could be adversely affected if the authorities of U.S., the European Union, the United Nations, the United Kingdom, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of our Group.

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. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. In addition, our production expansion plan may not be carried out as expected. 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. During the Track Record Period, we recorded net profits of RMB2.8 million, RMB95.9 million and RMB9.5 million, respectively, for the years ended December 31, 2022 and 2023 and for the five months ended May 31, 2025, but recorded net loss of RMB500.3 million in 2024. Our failure to become 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.

If we are unable to offer high-quality products, it may reduce the market acceptance 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, our products may contain undetected defects or failures, which may be difficult to detect at an early stage of the production process and often are time-consuming, expensive or impossible to correct. If such defects and failures do exist in our products, 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.

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 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.

We face substantial competition that requires us to respond rapidly to product development and pricing pressures.

We expect that the competition among providers of different SiC epitaxial wafer products may increase substantially 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. 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.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products designed and developed by other companies. As a result, we could be required to invest significant resources and efforts, and may incur significant expense to redesign our products to ensure compliance with relevant standards. Moreover, there can be no assurance that our efforts to meet such industry standards or requirements would success. If our products are not in compliance with prevailing industry standards or requirements, our customers may not purchase our products which in turn could have a material adverse effect on our business, financial condition and results or 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 at our headquarters in Dongguan, China. In addition, our new production base located at Ecological Park site in Dongguan, the construction of which has been completed, will be put in use by the end of 2025. See "Business — Production — Production Bases." 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 and employee safety.

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.

Our business depends on our ability to protect our 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. 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.

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 distributor 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. We also plan to recruit approximately 490 personnel for our production sites, approximately 126 R&D staff with rich work experience in the industry, and 17 sales and marketing staff, in the next five years. See "Future Plans and Use of Proceeds." However, we cannot assure you that we will be able to hire, develop or retain qualified staff or other highly skilled employees that we need in order to achieve our strategic objectives. Even if we do, these recruitments may require us to invest in significant amount of costs and resources, which may adversely affect our financial condition.

We have limited control over the acts of third-party distributors and their potential breach of distribution agreements.

We use third-party professional distributors for marketing, branding and sales of our products when necessary. The performance of our distributors, their ability and distribution network to sell our products are crucial to our rapid growth and may have direct impacts on our revenue and profitability. During the Track Record Period, we mainly used third-party distributors for sales of our products to some of our overseas downstream customers. In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, the revenue from our distributors amounted to RMB51.1 million, RMB16.6 million, RMB8.4 million, RMB2.2 million and RMB1.9 million, respectively, representing 11.7%, 1.4%, 1.6%, 0.7% and 0.7% of the total revenue for the same years/periods. We have limited control over the acts of these distributors and cannot ascertain whether the distribution efforts made by our distributors could be optimized in order to achieve our sales goal.

Furthermore, there can be no assurance that we will be successful in detecting any non-compliance of our distributors with the distribution agreements. We may be exposed to the risks of fraud or other misconduct committed by our distributors. Fraud or other misconduct by our distributors 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 misconduct committed by such distributors, 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.

Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonality in our business. During the Track Record Period, we recorded higher revenue generation in the second half than in the first half of a year, especially our sales of self-manufactured SiC epitaxial wafers which accounted for a majority of our revenue during the Track Record Period, except in 2024 in view of the relatively intensive global trade tensions. See "Business — Seasonality." As a result, our revenue and business performance may vary considerably from periods to periods. The comparison of revenue and operating results from different periods in any given financial year may not be relied upon as indicators of our performance. As a result, our profitability, results of operation and business may be adversely affected.

Our brand is integral to our success. If we fail to effectively maintain, promote, enhance and protect 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 and protective measures. See "Business — Our Competitive Strengths — Industry-recognized technologies in key areas and continuously iterated production processes." We incurred marketing expenses in the past and may continue to allocate more resources on marketing. To protect our brand, we strategically apply for patents, trademarks and copyrights based on our brand strategies and business needs. See "Business — Sales and Marketing — Marketing and Branding — Brand Promotion." We cannot guarantee that our marketing efforts or protective measures 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. 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. As we offer our products to downstream customers in industries such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances, we may be subject to product liability claims if our products, or the integration of our products, lead to system failures and further cause damage to property or persons. 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.

The expansion into overseas markets may expose us to operational, financial and regulatory risks.

During the Track Record Period, a substantial portion of our products were sold to overseas markets. Furthermore, we expect to use a portion of the net proceeds from the Global Offering for expanding our global sales and marketing network, specifically, in Malaysia, Japan and Italy. See "Future Plans and Use of Proceeds — Use of Proceeds." Expanding our global footprint and growing overseas sales is an important part of our future growth and strategic development, but these efforts may not be successful. Overseas operations are subject to a number of risks, including but not limited to:

- increased costs resulted from the efforts to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- difficulties and costs related to providing after-sales services and customer support in overseas markets;
- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;
- foreign exchange control and exchange rate fluctuations;
- difficulties and costs related to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products or services;
- failure to obtain or maintain permits for our products or services in overseas markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

The occurrence of any of these events could disrupt our overseas expansion and consequently adversely affect our business, financial condition and results of operations.

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 Security Risk Management." 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. 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.

As we have recognized net current liabilities and had net operating cash outflows in the past, there is no assurance that we may not recognize net current liabilities again and can generate net cash inflow in the future.

As of December 31, 2024 and May 31, 2025, we recorded net current liabilities of approximately RMB523.0 million and RMB217.7 million, respectively. For details of the reasons for our net current liabilities, see "Financial Information — Liquidity and Capital Resources — Current Assets/Liabilities." A net current liabilities position may impair our ability to satisfy necessary capital expenditures, develop business opportunities or expand business scale. Even if we recorded net current assets of approximately RMB851.8 million and RMB260.7 million, respectively, as of December 31, 2022 and 2023, we cannot assure you that we will be able to improve our liquidity and maintain a net current assets position in the future.

For the year ended December 31, 2022 and 2024, we had net cash flows used in operating activities of RMB262.2 million and RMB62.3 million, respectively. For a detailed analysis on our operating cash flow, see "Financial Information — Liquidity and Capital Resources" in this prospectus. It is possible that our operating cash flow will continue to be subject to our prospective business activities and/or other matters beyond our control, such as market competition and changes to the market environment. Even if we had net cash flows generated from operating activities of RMB87.4 million and RMB61.1 million for the year ended December 31, 2023 and for the five months ended May 31, 2025, respectively, we cannot assure you that we will be able to generate net cash inflows in the future. If we are not able to generate net cash inflows, we would need to seek external financing to support our operations, such as equity or equity-linked instruments and external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we are unable to maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our strategic plans, and our business, financial condition and results of operations may be materially and adversely affected.

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 May 31, 2025, our gross trade receivables amounted to RMB184.2 million, RMB306.6 million, RMB158.7 million and RMB343.6 million, respectively. The credit period granted to our customers was generally 15 days to 180 days from the date of invoice. We generally recovered trade receivables within four months. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Trade and Bills Receivables" in this prospectus.

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 87 days in 2023 to 199 days in 2024 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 proceeds from the Global Offering 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 proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our 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 RMB6.4 million, RMB27.6 million, RMB11.1 million, RMB5.8 million and RMB14.9 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 five months ended May 31, 2024 and 2025, respectively, which represent industry-specific subsidies granted by the local government authorities in China to encourage R&D projects. In addition, we benefited from preferential tax treatments from the PRC government during the Track Record Period. Our Company and our subsidiary were qualified as High and New Technology Enterprise and were 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.

Share-based payments may cause shareholding dilution to our existing Shareholders and potentially have a material and adverse effect on our financial performance.

During the Track Record Period, we made share-based payments to our Directors, senior management and key employees for their contribution to us and providing them with an incentive for outstanding future performance. For the years ended December 31, 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, we recognized equity-settled share-based payment expenses of RMB7.9 million, RMB17.2 million, RMB23.2 million, RMB6.8 million and RMB10.9 million in our consolidated statements of profit or loss and other comprehensive income, respectively. To further incentivize our Directors, senior management and key employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may not be able to shorten our cash conversion cycle and to manage our liquidity mismatch between receipts from trade receivables and payments of trade payables.

Our working capital, future operations and cashflow largely depend on the timely conversion our inventories into cash, to shorten our inventory turnover days and our trade receivables turnover days and to lengthen our trade payables turnover days. During the Track Record Period, we noted that it took us long time to turn inventories into cash in our operation as our inventory turnover days were 144 days, 113 days, 308 days and 267 days, trade receivable turnover days were 115 days, 87 days, 199 days and 172 days, and the trade payable turnover days were 66 days, 50 days, 70 days and 99 days during the Track Record Period, details of which are set out in "Financial Information — Discussion of Certain Items of Statement of Financial Position — Inventories," "Financial Information — Discussion of Certain Items of Statement of Financial Position — Trade and Bills Receivables" and "Financial Information — Discussion of Certain Items of Statement of Financial Position — Trade and Bills Payables."

Our trade receivables turnover days were 115 days, 87 days, 199 days and 172 days for 2022, 2023 and 2024, and five months ended 31 May 2025, respectively. Our trade payables turnover days were 66 days, 50 days, 70 days and 99 days, for 2022, 2023 and 2024, and five months ended 31 May 2025, respectively. The gap between our trade receivables turnover days and trade payable turnover days may result in liquidity mismatch.

Despite that we have strategies trying to enhance our working capital management, these measures may not be effectively to achieve the intended purposes. Should we fail to effectively implement its strategies to shorten our cash conversion cycle and to manage our liquidity mismatch, we will continue to fund our operation using external financing as our internal generated funds will be insufficient.

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 potential changes in the future, 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 in the countries or regions we operate in.

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. However, 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, are evolving, 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. 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 are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.

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. 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.

Moreover, as these laws, regulations and standards are subject to varying interpretations, 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.

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.

Downturns or volatility in general economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Our sales and profitability depend significantly on general economic conditions and any adverse changes in general economic conditions, including any recession, economic slowdown or disruption of credit markets, may lead to lower demand for and price fluctuations of our products. Economic uncertainty affects our businesses in a number of ways, making it difficult to accurately forecast and plan our future business activities. A decline in end-user demand can affect the demand of the customers for our products, and the tightening of credit in financial markets may lead consumers and businesses to postpone spending, either of which may cause our customers to decrease, delay or even cancel their existing and future orders with us. In response to the decline in end-user demand and the shrunk customer base, we may consider lowering the price of our products and our profitability could be adversely affected. In addition, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory obsolescence. All these factors related to general economic conditions, which are beyond our control, could adversely impact our business, financial condition and results of operations.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers (the "**Relevant Customer(s)**") settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). In 2022, 2023 and 2024 and for the five months ended May 31, 2025, the sum of third-party payments amounted to RMB3.1 million, RMB18.3 million, RMB1.9 million and RMB0.2 million, respectively, representing approximately 0.7%, 1.6%, 0.4% and 0.06% of our total revenue for the corresponding period, respectively. See "Business — Sales and Marketing — Our Customers — Third-Party Payment Arrangements" for details.

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect of third-party payments, we may have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

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.

Any failure to obtain or continuously maintain or renew approvals, licenses or permits applicable to our business operation 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. 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. For example, during the Track Record Period, our non-wholly owned subsidiary, Southern Semiconductor, had not completed the filing of occupational disease hard projects as required by the relevant PRC laws and regulations. See "Business — Licenses, Permits and Certificates."

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 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.

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

Our Controlling 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 Global Offering, the Controlling Shareholder will remain as Controlling Shareholder of our Group. The interests of our Controlling Shareholder might differ from the interests of our other Shareholders. In the event that our

Controlling 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 Controlling 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 potential changes 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.

RISKS RELATING TO DOING BUSINESS IN THE PRINCIPAL PLACE WE OPERATE

Our business is affected by changes in the economic, political or social conditions or government policies of the countries or regions we operate in.

Substantially all of our business, assets and operations are located in Chinese Mainland, Hong Kong and South Korea and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in these markets. In some of these markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Additionally, as we are headquartered in Dongguan, Guangdong Province, China and the majority of our assets are in China, our financial condition, results of operations and prospects are subject to economic, political, and legal developments in the PRC. Any changes in the global or local economy in the markets in which we operate may materially and adversely affect our business, results of operations and financial condition. 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. Any future changes in economic, political, social, and regulatory conditions may continue to affect our business, financial condition, results of operations and prospects.

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

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. In addition, under the Notice of the Ministry of Finance and State Taxation Administration of the PRC on Several Policy Issues Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), dividends paid to foreign individuals by foreign-invested enterprises are exempted from individual income tax. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

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, and certain of the assets of such Directors, Supervisors and executive officers are located in China. As a result, 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 China or any designated court of Hong Kong, China 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 court.

In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in other jurisdictions may be recognized and enforced in China in consideration of the treaties or arrangements providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made. If no such treaties or arrangements are in place, similar to the legal practice in many other jurisdictions, you may experience difficulties in the enforcement of judgments in China.

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our H Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange regulations that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders or satisfy any other foreign exchange obligation.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop.

No public market currently exists for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Sponsor-Overall Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will rise following the Global Offering.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in demand for our products may cause significant and sudden changes to the market price and trading volume of our H Shares. Furthermore, the market price of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by the Company may also confer rights and privileges that take priority over those conferred by the H Shares. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that is not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per H Share in the Global Offering that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of May 31, 2025. Therefore, purchasers of our H Shares in the Global Offering will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares. For more information, see "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to China and the industries in which we operate have been derived from various official government publications. The information from the official government sources has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

No dividend had been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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

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

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

Prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may have been or may be press and media coverage regarding us, our business, our industry and the Global Offering. Such press and media coverage may include references to information that do not appear in this prospectus or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this prospectus, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this prospectus and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this prospectus, the Global Offering, and any formal announcements made by us in Hong Kong in relation to our Global Offering.

In preparation for the Global Offering, our Company has sought and has been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As at the Latest Practicable Date, none of our executive Director resided in Hong Kong.

Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters and principal business operations and management of our Group are carried out in the PRC, and our executive Director, namely Mr. Li, ordinarily resides outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Director or appointment of additional executive Directors. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

1. we have appointed Mr. Li, our executive Director, and Mr. Chan Pak Lun ("**Mr. Chan**"), one of our joint company secretaries as our authorised representatives (the "**Authorised Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our principal channel of communication with the Stock Exchange. Each of the Authorised Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

2. when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorised Representatives. We have provided the Stock Exchange with the contact details

(i.e., mobile phone number, office phone number, fax number and email address) of each of our Authorised Representatives and Directors to facilitate communication with the Stock Exchange;

3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time upon request;

4. in compliance with Rule 3A.19 of the Listing Rules, we have appointed Caitong International Capital Company Limited as our compliance adviser (the "**Compliance Adviser**"), which has access at all times to our Authorised Representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our Authorised Representatives, Directors and other officers of our Company will provide promptly 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; and

5. we shall ensure that there are adequate and efficient means of communication among our Company, our Authorised Representatives, our Directors, other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

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

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

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

Note 2 to Rule 3.28 of the Listing Rules provides that the Stock Exchange will consider the following factors in assessing an individual's "relevant experience":

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

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

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Li Zhuoxing (李焯星), our Board secretary, as one of our joint company secretaries. In view of his experience within our Group and his thorough understanding of the internal administration and business operations of our Group, our Directors consider that Mr. Li Zhuoxing is a suitable person to act as a company secretary of our Company. In addition, as the core business and operations of our Group are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Li Zhuoxing as a company secretary whose presence in the headquarters of our Group enables him to attend to the day-to-day corporate secretarial matters concerning our Group.

Given Mr. Li Zhuoxing does not possess the qualification and sufficient relevant experience stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. To provide assistance to Mr. Li Zhuoxing and enable him to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules, we have also appointed Mr. Chan, a practising solicitor of Hong Kong, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Li Zhuoxing for an initial period of three years from the Listing.

Since Mr. Li Zhuoxing does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Li Zhuoxing may act as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 of the Guide, the waiver will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

The waiver is valid for an initial period of three years from the Listing, and is granted on the condition that Mr. Chan, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Li Zhuoxing in the discharge of his duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations, for an initial period of three years commencing on the Listing.

Given Mr. Chan's professional qualifications and experience, he will be able to explain to both Mr. Li Zhuoxing and our Company the relevant requirements under the Listing Rules. Mr. Chan will also assist Mr. Li Zhuoxing in organising Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Mr. Li Zhuoxing, and will maintain regular contact with Mr. Li Zhuoxing, our Directors, Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Chan ceases to provide assistance to Mr. Li Zhuoxing as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company.

In addition, Mr. Li Zhuoxing will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing. Mr. Li Zhuoxing will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

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

For the biographical information of Mr. Li Zhuoxing and Mr. Chan, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF AND CONSENT UNDER PARAGRAPH 1C(2) OF APPENDIX F1 TO THE LISTING RULES IN RESPECT OF SUBSCRIPTIONS OF OFFER SHARES BY CLOSE ASSOCIATES OF EXISTING SHAREHOLDER AS CORNERSTONE INVESTORS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03(1) and (2) of the Listing Rules are fulfilled. The conditions in Rules 10.03(1) and (2) of the Listing Rules are that (i) no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 1C(2) of the Placing Guidelines (the "**Placing Guidelines**") provides, *inter alia*, that without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Paragraph 12 of Chapter 4.15 of the Guide provides that the Stock Exchange will consider granting a waiver from Rule 10.04 of the Listing Rules and a consent, pursuant to paragraph 1C(2) of Appendix F1 to the Listing Rules, to allow a listing applicant's existing shareholders or their close associates to participate in its initial public offering if any actual or perceived preferential treatment arising from their ability to influence the listing applicant during the allocation process can be addressed.

As disclosed in the section headed "Cornerstone Investor", Guangdong Primitive Forest Fund Management Co., Ltd* (廣東原始森林私募投資管理有限公司) ("**Guangdong Primitive Forest**") and GF Global Capital Limited (廣發全球資本有限公司) ("**GF Global**") (in connection with the OTC Swaps (as defined below) will participate as a cornerstone investor to subscribe for the Offer Shares under the International Offering (the "**Proposed Cornerstone Investment**"). GF Global and GF Securities Co. Ltd. will enter into a series of cross border delta-one OTC swap transactions (the "**OTC Swaps**") with each other and the ultimate clients (the "**GF Global Ultimate Clients**") pursuant to which GF Global will hold the Offer Shares on a non-discretionary basis to hedge the OTC Swaps while the economic risks and returns of the underlying Offer Shares are passed to the GF Global Ultimate Clients, subject to customary fees and commissions. The GF Global Ultimate Clients are two domestic private fund, (namely, Primitive Forest Boyuan No. 1 Private Equity Investment Fund (原始森林博源一號私募證券投資基金) ("**Forest Boyuan**") and Primitive Forest Neptune Private Equity Investment Fund (原始森林海王星私募證券投資基金) ("**Forest Neptune**") managed by Guangdong Primitive Forest in its capacity as fund manager on a discretionary basis and the investment decisions can be made by the fund manager independently based on the investment objectives and authorities. Guangdong Primitive Forest is a private fund management company founded in July 2017. With an extensive investment portfolio in the Greater China region spanning across the technological and materials industries, it is committed to delivering long term and stable absolute investment returns for clients with varying risk profiles. As confirmed by Guangdong Primitive Forest, the subscription of the Offer Shares as cornerstone investor will be made by Guangdong Primitive Forest in its capacity as the fund manager of domestic private funds through OTC Swaps mechanism. Liu Hong (劉鴻) ("**Mr. Liu**") is the ultimate controlling shareholder of Guangdong Primitive Forest holding approximately 82.50% of its equity interest. Guangdong Primitive Forest is the wholly-owned subsidiary of Primitive Forest Holdings Group Co., Ltd.* (原始森林控股集團有限公司) ("**Primitive Forest Holdings**").

As disclosed in the section headed "History, Development and Corporate Structure — Pre-IPO Investments" in the Prospectus, (i) each of Guanshun Investment and Guanling Investment is a limited partnership established under the laws of the PRC and is principally engaged in private equity investment and investment and asset management. Each of Guanshun Investment and Guanling Investment is managed by its general partner, Gongqingcheng Boyuan Investment Management (Limited Partnership)* (共青城博源投資管理中心(有限合夥)), whose general partner is Primitive Forest Holdings; and (ii) Zhongshan Lianxin is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Zhongshan Lianxin is managed by its general partner, Guangdong Boyuan Fund Co., Ltd.* (廣東博源基金管理有限公司), which is ultimately controlled by Mr. Liu.

Guangdong Primitive Forest is a therefore close associate of each of Guanshun Investment, Guanling Investment and Zhongshan Lianxin (the "**Relevant Pre-IPO Investors**"), each, an existing Shareholder of the Company. As of the Latest Practicable Date, the Relevant Pre-IPO Investors are in aggregate, interested in 2.58% of the share capital of the Company. Save as disclosed above, Guangdong Primitive Forest does not have any relationship with the existing Shareholder(s). For further details of the cornerstone investment, please refer to the section headed "Cornerstone Investors".

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 1C(2) of Appendix F1 to the Listing Rules for allocation of securities to Guangdong Primitive Forest and Mr. Liu on the conditions that:

(i) save for guaranteed allocation of the H Shares in the International Offering at the Offer Price as cornerstone investor, Guangdong Primitive Forest or Mr. Liu has not received, and will not receive, any other preferential treatment (including direct or indirect benefits) under the Proposed Cornerstone Investment by virtue of its relationship with the Relevant Pre-IPO Investors as well as its indirect relationship with our Company by virtue of its relationship with the Relevant Pre-IPO Investors;

(ii) the terms of the Proposed Cornerstone Investment will be substantially the same as, or no more favourable than, the subscription terms of the other cornerstone investor in the Global Offering (including being subject to a lock-up period of six months from the Listing Date);

(iii) the Proposed Cornerstone Investment does not prejudice or constitute unfair treatment to public investors;

(iv) the Relevant Pre-IPO Investors have less than 5% voting rights in the Company before the proposed Global Offering;

(v) none of the Relevant Pre-IPO Investors, or Guangdong Primitive Forest (and Mr. Liu), will be entitled to any Director appointment or other special rights after the Listing;

(vi) our Company will comply with the public float requirement under Rule 8.08(1) of the Listing Rules; and

(vii) details of the Proposed Cornerstone Investment will be disclosed in the final prospectus and the allotment results announcement to be published in connection with the Global Offering.

CONSENT UNDER PARAGRAPH 1C(1) OF THE PLACING GUIDELINES TO BE GRANTED FOR ALLOCATION OF SECURITIES TO GF GLOBAL

Paragraph 1C(1) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to "connected clients" of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s)), without the prior written consent of the Stock Exchange.

Paragraph 1B(7) of the Appendix F1 to the Listing Rules states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

As further described in the section headed "Cornerstone Investors" in this prospectus, it is proposed that GF Global and GF Securities Co., Ltd. will enter into a series of OTC swaps with each other and the GF Global Ultimate Clients pursuant to which GF Global will hold the Offer Shares on a non-discretionary basis to hedge the OTC Swaps while the economic risks and returns of the underlying Offer Shares are passed to the GF Global Ultimate Clients, subject to customary fees and commissions. The OTC Swaps will be fully funded by the GF Global Ultimate Clients through the OTC Swaps, and GF Global will not take part in any economic return or bear any economic loss in relation to the Offer Shares. Despite that GF Global will hold the legal title of the Offer Shares by itself, it will not exercise the voting rights attaching to the relevant Offer Shares during the terms of the OTC Swaps according to its internal policy.

GF Securities (Hong Kong) Brokerage Limited is one of the Overall Coordinators of the Proposed Listing. Both GF Global and GF Securities (Hong Kong) Brokerage Limited are indirect wholly-owned subsidiaries of GF Securities Co., Ltd, of which its shares are listed on the Stock Exchange (stock code: 1776) and the Shenzhen Stock Exchange (stock code: 000776), and is a provider of comprehensive capital market services with industry-leading innovation capabilities which is focused on global serving quality enterprises and investors with demand for financial products and services. GF Global is a connected client (as defined under Appendix F1 to the Listing Rules) of GF Securities (Hong Kong) Brokerage Limited, holding securities on a non-discretionary basis on behalf of independent third parties. We have applied for, and the Stock Exchange has granted, a consent under paragraph 1C(1) of Appendix F1 to the Listing Rules to permit GF Global to participate in the Global Offering as a cornerstone investor on the following basis and conditions as set out in Paragraph 5 of Chapter 4.15 of the Guide for New Listing Applicants:

(i) any Offer Shares to be allocated to GF Global will be held on behalf of independent third parties;

(ii) the cornerstone investment agreement of GF Global does not contain any material terms which are more favourable to GF Global than those in other cornerstone investment agreement;

(iii) no preferential treatment has been, nor will be, given to GF Global by virtue of its relationship with GF Securities (Hong Kong) Brokerage Limited in any allocation of Offer Shares in the International Offering other than the assured entitlement under the relevant cornerstone investment agreement;

(iv) GF Securities (Hong Kong) Brokerage confirms that to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of Offer Shares in the International Offering other than the assured entitlement under the relevant cornerstone investment agreement;

(v) each of the Company, GF Securities (Hong Kong) Brokerage, GF Global has provided the Stock Exchange with written confirmations in accordance with Chapter 4.15 of the Guide; and

(vi) details of the cornerstone investments and details of the allocations will be disclosed in the final prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make this prospectus or any statement in this prospectus misleading.

CSRC FILING REQUIREMENT

The CSRC issued notice of filing on June 12, 2025 for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting its notice of filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 3,007,050 H Shares and the International Offering of initially 27,063,450 H Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus). The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is managed by the Sponsor-Overall Coordinator and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the December 3, 2025. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong

Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, agents, affiliates or advisors or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering", "How to Apply for Hong Kong Offer Shares" in this prospectus.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering, and (ii) the H Shares to be converted from our existing Unlisted Shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, December 5, 2025. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 50 H Shares.

The stock code of the H Shares is 2658.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotments made in respect of any applications will be invalid if the listing of, and permission to deal in, the Offer Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Hong Kong Stock Exchange.

COMPLIANCE WITH LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Listing Rules or such other undertakings which may have been given by us in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holders unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder: (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, and our Articles of Association; (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive; (iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making of an application or purchase, to have represented that they are not associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

H SHARE REGISTER OF MEMBERS AND STAMP DUTY

All H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members to be maintained by our H Share Registrar, Tricor Investor Services Limited, in Hong Kong. We will maintain the Company's principal register of members at our current registered office in the PRC.

Dealings in our H Shares registered in the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. For further details, please seek professional tax advice.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of any transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in our H Shares or exercising rights attached to them. None of the Company, the Underwriters, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of their respective directors, supervisors, officers, employees, agents or advisors or any other persons involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, our H Shares.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included herein for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any tables or charts between the total shown and the sums of the amounts listed are due to rounding.

CURRENCY TRANSLATIONS

Solely for your convenience, certain translations among amounts in RMB, HK$ or US$ are contained in this prospectus. None should be regarded as and be interpreted as an amount in one currency that can be on the relevant dates or any other dates actually converted into that in another currency at the rates below or cannot be converted at all. Unless otherwise specified:

(i) all amounts in RMB are translated into US$ at an exchange rate of RMB7.0875 to US$1.00;

(ii) all amounts in HK$ are translated into US$ at an exchange rate of HK$7.7859 to US$1.00; and

(iii) all amounts in RMB are translated into HK$ at an exchange rate of RMB0.9103to HK$1.00 (calculated basing on (i) and (ii)).

Further information on exchange rates is set forth in "Appendix IV — Taxation and Foreign Exchange" in this prospectus.

DIRECTORS

Names	Residential address	Nationality
Executive Director		
Mr. Li Xiguang (李錫光)	No. 19, Liwu Road Jiao Lian Wanjiang District Dongguan Guangdong Province PRC	Chinese
Non-executive Directors		
Mr. Au Yeung Chung (歐陽忠)	No. 4, Lane 2 Xianzheng Road Guancheng District Dongguan Guangdong Province PRC	Chinese
Mr. Jiang Dacai (姜達才)	Building 8 Haiyue Huayuan Phase 2 Haiyue Road Nanshan District Shenzhen Guangdong Province PRC	Chinese
Independent non-executive Directors		
Mr. He Zhengsheng (賀正生)	Room 404, Building 2 No.19 Courtyard West Jiangtai Road Chaoyang District Beijing PRC	Chinese
Ms. Li Min (李旻)	No. 1 Yunhe East 3rd Road Guancheng District Dongguan Guangdong Province PRC	Chinese
Mr. Vincent Chin (錢榮澤)	Flat B, 2/F. 61 Kimberley Road Tsim Sha Tsui, Kowloon Hong Kong	Chinese

SUPERVISORS

Names	Residential address	Nationality
Mr. Zhuang Shuguang (莊樹廣)	No. 28 East Tangcheng Road Guanqiaojiao Wanjiang District Dongguan Guangdong Province PRC	Chinese
Mr. Yuan Yi (袁毅)	4th Floor No. 146, Xinglong Street Guancheng District Dongguan Guangdong Province PRC	Chinese
Ms. Yin Xuefang (尹雪芳)	No. 56, Lijing Xincun Guancheng District Dongguan Guangdong Province PRC	Chinese

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for further information on our Directors and Supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Sponsor-Overall Coordinator	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Overall Coordinators	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
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Headquarters	No. 5 Industrial North First Road Songshan Lake Zone Dongguan Guangdong Province PRC
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Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various official government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "F&S Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any other parties involved in the Global Offering, and no representation is given as to the accuracy.

SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on the global and China's SiC power semiconductor device industry for use in this prospectus, which was commissioned by us for a fee of RMB580,000. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the global and China's social, economic and political conditions currently discussed will remain stable during the forecast period, (ii) global and China's government policies on SiC power semiconductor device industry will remain consistent during the forecast period, (iii) industry key drivers are likely to drive global and China's SiC power semiconductor device industries in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. The F&S Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

Frost & Sullivan is an independent global consulting firm founded in 1961 in New York, and its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-efforts basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

Our Directors, after making reasonable inquiries, confirm that there have been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF POWER SEMICONDUCTOR DEVICE INDUSTRY AND SIC POWER SEMICONDUCTOR DEVICE INDUSTRY

Overview

A power semiconductor device is a semiconductor device used as a switch or rectifier in power electronics. In electronic components, power semiconductor devices are electronic devices that need an external power source to operate actively. Materials used to make power semiconductor devices mainly manipulate, amplify, switch, or control the flow of electric current or voltage in a circuit. Power semiconductor devices, including diodes, transistors, thyristors, and sensors, are pivotal for managing electrical power in electronic systems. They require power to execute their roles, which include rectifying current, switching, amplifying signals, and sensing electrical parameters. These components are essential for a variety of applications, from consumer electronics to industrial machinery, where they ensure efficient power management and system performance.

The global power semiconductor device industry has experienced substantial growth in recent years. As industries strive to achieve greater energy efficiency and reduce their carbon footprint, power semiconductors have become indispensable components in applications such as power supplies, motor drives and renewable energy systems. Technological advancements and the ongoing evolution of semiconductor manufacturing processes are key drivers behind the growth of the global power semiconductor device market. The development of wide-bandgap semiconductors, such as SiC and GaN, has enabled higher efficiency and power density in semiconductor devices.

Major Components of Power Semiconductor Devices

Epitaxial Wafer

Epitaxial wafer is the key raw material for the production of power semiconductor device. Basically, epitaxial wafer is made by forming various layers on the surface of substrate to enhance the performance characteristics of the substrate such as stronger current tolerance, higher voltage tolerance and operational stability.

The development of epitaxial wafers has been under evolution and marked significant technological advancements. The epitaxial wafers were initially made of silicon (Si), and then developed into the new generation of materials, represented by silicon carbide (SiC) and gallium nitride (GaN), which reflects the industry's pursuit of higher efficiency and performance. As such, epitaxial wafers can be categorized according to various elements such as Si, SiC and GaN. Other epitaxial wafer materials also include germanium (Ge), gallium arsenide (GaAs) and indium phosphide (InP). Among these materials, SiC has become dominant and is anticipated to remain irreplaceable by alternative semiconductor materials in manufacturing epitaxial wafers in the near future considering its excellent physical properties such as superior efficiency and thermal conductivity.

Substrate

A substrate is the foundation from which epitaxial wafers are produced by growing epitaxial layers on the substrate. These epitaxial layers are essential for enhancing the quality and performance characteristics of power semiconductor devices, as they address defects inherent to the substrate, aiming to achieve enhanced energy efficiency and improved performance in power semiconductor devices. Therefore, epitaxial wafers are not a type of substrates; instead, epitaxial wafers are produced from substrates and at an essential subsequent stage in the entire manufacturing process that enables the ultimate production of power semiconductor devices.

Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials

Semiconductor	First generation semiconductors	Second-generation semiconductors	Third-generation (broadband) semiconductors
Materials	Elemental semiconductors: silicon (Si), germanium (Ge)	Compound semiconductors: gallium arsenide (GaAs), indium phosphide (InP)	Compound semiconductors: gallium nitride (GaN), silicon carbide (SiC)
Advantages	• Abundant and low-cost, Si is the most widely used semiconductor • Enabled the shift from vacuum tubes to compact electronics	• Faster electron mobility for high-frequency transmission • Direct bandgap for applications in light emission, including infrared lasers and high-brightness red LEDs	• Enhanced thermal and electronic properties • Improved electrical strength and radiation resistance • Energy-efficient and eco-friendly • Compact device size
Disadvantages	• SiC outperforms Ge in heat resistance and radiation tolerance • Its indirect bandgap and lower mobility limit applications in optoelectronic and high-frequency/high-power devices	• GaAs and InP are rare materials to obtain, leading to high costs • Toxic and harmful to the environment, limiting their applications	• High Cost • Cannot fully replace earlier semiconductor generations
Technology	• Si manufacturing is mature and near-optimal, yet its physical limits are being reached, narrowing performance gains	• More complex fabrication processes, focusing on more intricate epitaxial growth, which requires two manufacturing stages: substrate production and epitaxy	• GaN semiconductors use heteroepitaxy, while SiC semiconductors use homoepitaxy. Both fabrication processes are complex
Applications	• Widely used in information processing and automation, including consumer electronics, telecommunications, photovoltaics	• In optoelectronics, including millimeter-wave devices, satellite communication, mobile communication, and GPS navigation	• In high-performance sensors • Applications span 5G, IoT, electric vehicles, optoelectronics, and display technology

- Si — First-Generation Semiconductor Material. Si is one of the major first-generation semiconductor materials with relatively mature development and applications. Si has abundant reserves with economic cost advantages and is primarily used in logic and memory chips. However, as the technology and performance of Si gradually reaches limits, its development faces bottlenecks. Constrained by factors of these limits and bottlenecks such as low frequency, high-voltage non-resistance, poor heat dissipation and insufficient power capacity, Si struggles to reconcile the contradiction between power density and conversion efficiency, making it unable to meet demands for high power density and high conversion efficiency, which are common in emerging applications such as electric vehicles ("**EVs**"), consumer electronics fast charging, power management and data centers.

- GaAs — Second-Generation Semiconductor Material. GaAs represents one of the major second-generation of semiconductor materials, which are characterized by superior electron mobility and saturation electron velocity. Relatively narrow bandgap of GaAs limits its capability under high-power and high-temperature conditions. Narrow bandgap implies a higher susceptibility to breakdown under extreme temperatures or voltages, thereby curtailing their performance in high-power scenarios. Therefore, the second-generation of semiconductor materials cannot meet the high-frequency and high-voltage demands brought about by the power revolution.

- GaN — Third-Generation Semiconductor Material. GaN exhibits significantly improved performance compared to Si in certain aspects. It possesses overall advantages including wide bandgap, high electron mobility, high switching frequency, low on-resistance and enhanced resistance to high voltage and temperature. However, the lack of thermal conductivity limits the ability to shrink GaN devices when operating at high power densities.

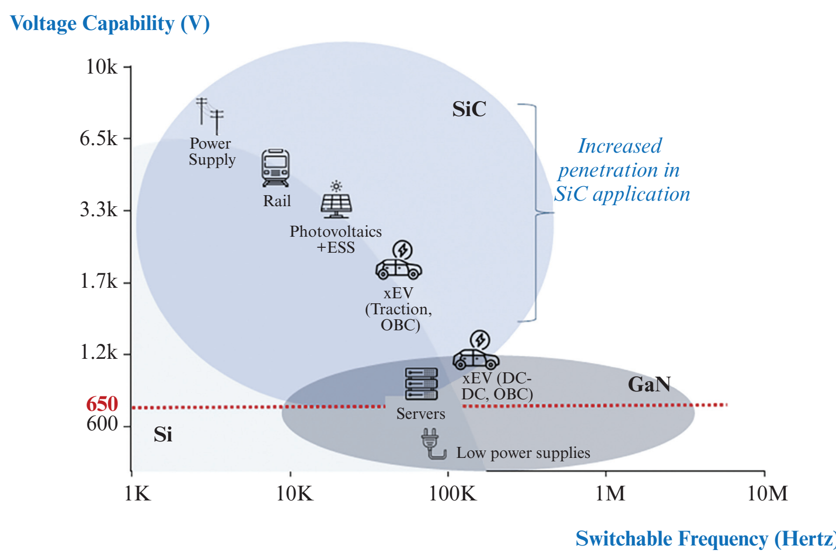
- SiC — Third-Generation Semiconductor Material. SiC has a wider bandgap compared to the first and second generations of semiconductor materials, which is suitable for high-voltage and high-temperature environments. Higher thermal conductivity combined with wide bandgap and high critical field give SiC power semiconductors an advantage when high power is a key desirable device feature. Fabricated from an SiC epitaxial wafer, an SiC power semiconductor device refers specifically to a homoepitaxial structure, where a high-quality SiC substrate is overlaid with an SiC epitaxial layer. This precise layering process ensures a high degree of crystalline alignment, which minimizes defects and enhances the material's overall quality. The homoepitaxial structure's superior thermal and electrical conductivity, along with its ability to withstand high temperatures and voltages, makes it highly suitable for efficient and reliable operation in power electronic applications.

The following table illustrates the types of epitaxial wafer materials that could be applied to power semiconductor devices and the key features of the corresponding semiconductor devices:

Epitaxial wafer material	Composition of power semiconductor device	Key features
Si	Si epitaxial wafer on Si substrate, resulting in Si power semiconductor device	Si-based power semiconductor device technology is mature and low-cost, but its performance is limited under extreme conditions such as high voltage, high temperature, and high frequency.
SiC	SiC epitaxial wafer on SiC substrate, resulting in SiC power semiconductor device	SiC has a wider bandgap, higher thermal conductivity, and higher breakdown electric field, allowing it to perform excellently in high-voltage, high-temperature, and moderate-frequency environments. This significantly reduces switching losses and allows for smaller device sizes.
GaN	GaN epitaxial wafer could grow on either Si or SiC substrate, resulting in GaN power semiconductor device	Compared to SiC, GaN is more suitable for high-frequency, and relatively lower voltage and temperature environments. GaN has extremely high electron mobility and saturation drift velocity, making it particularly suitable for high-frequency switching applications. This effectively reduces switching losses and enables higher power density and miniaturization.

As shown in the diagram below, Si is the retained traditional technology with lower tolerance in both frequency and voltage. SiC and GaN are materials with different features and application scenarios-SiC has been applied more in high-voltage scenarios while GaN has significant advantages in low-power supply scenarios. In commercial applications, considering the overall solution cost, SiC is expected to achieve a wider penetration than GaN in the following applications such as power supply, rail and EV power electronics.

Comparisons of the Currently Main Application Scenarios of SiC Power Semiconductor Device Materials (Among Si, GaN and SiC)

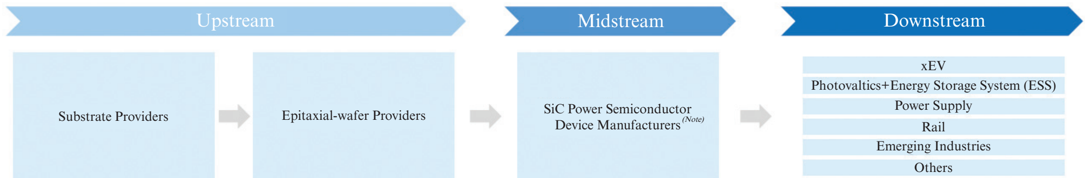


Source: F&S Report

Value Chain of SiC Power Semiconductor Device Market

The upstream segment of the value chain is composed of substrate providers and epitaxial-wafer providers. Epitaxial-wafer providers source substrates from substrate providers for the production of epitaxial wafers. This stage is crucial and has the most significant added value as the cost of SiC epitaxial wafers account for the largest share of the total cost of an SiC power semiconductor device, with a percentage of approximately 70%, including the cost of substrates and epitaxial wafers account for 47% and 23%, respectively. The midstream segment involves SiC power semiconductor device manufacturers which use the epitaxial wafers as the base material to fabricate the SiC semiconductor devices through a series of complex manufacturing processes, while the downstream segment encompasses the distribution of the final products and systems to various applications such as xEV and power supply. Normally, SiC power device manufacturers would not easily change their SiC epitaxial wafer suppliers due to the high switching costs.

Supply Chain of SiC Power Semiconductor Device



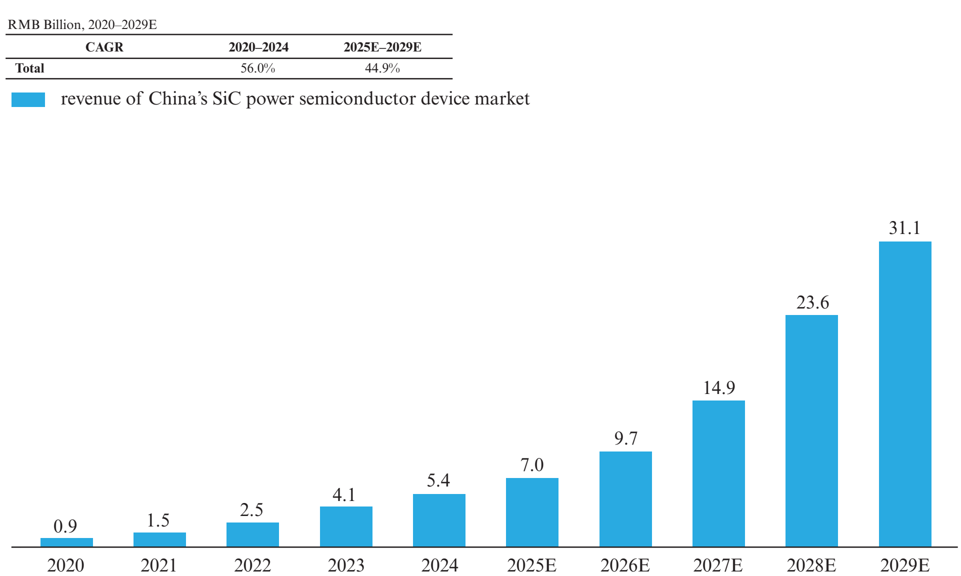
Note: These semiconductor device manufacturers also possess the capability to manufacture wafers. A wafer is a substrate that has undergone a series of processing steps. It is a circular thin slice used in the semiconductor manufacturing process to fabricate ICs or other microelectronic devices. The wafer processing involves multiple complex steps such as photolithography, etching, and doping.

Source: F&S Report

Market Size of China's SiC Power Semiconductor Device Industry

The market size of China's SiC power semiconductor device industry has been on a significant upward trajectory, with a CAGR of 56.0% from 2020 to 2024. Driven by the shift in automotive technology, such robust growth is set to continue, with a CAGR of 44.9% projected for the period from 2025 to 2029. The increasing adoption of SiC power semiconductor devices in various applications, particularly in the automotive sector, is a key driver behind this expansion. The penetration rate of the SiC power semiconductor device market in the overall power semiconductor device market in China was 4.1% in 2024. With the adoption of SiC in China, the penetration rate is expected to reach 13.8% by 2029.

Market Size of China's SiC Power Semiconductor Device Industry, in Terms of Revenue



Source: F&S Report

Market Size of Global Power Semiconductor Device Industry

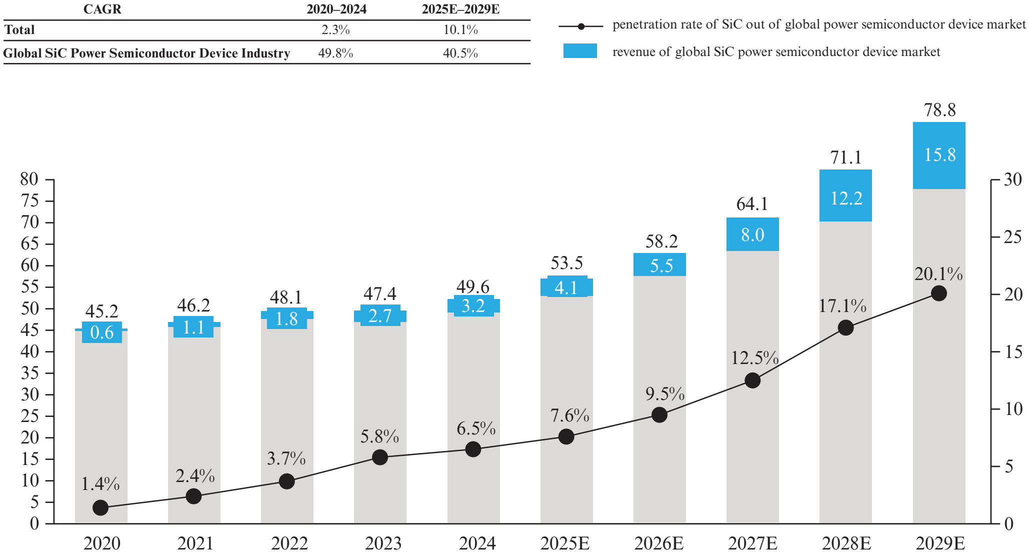
Driven by technological developments in processing power, miniaturization and energy efficiency, as well as increasing demand from downstream industries such as consumer electronics, EVs and data centers, the market size of global power semiconductor device industry witnessed overall growth from 2020 to 2024. The market size of global power semiconductor device industry experienced a steady growth from US$45.2 billion in 2020 to 2024, reaching a total of US$49.6 billion, representing a CAGR of 2.3%. Such muted growth from 2020 to 2024 was primarily attributed to the COVID-19 pandemic which led to a significant drop in smartphone sales and a collapse in vehicle sales due to the closure of dealerships and the halt of production lines. The power semiconductor device sector was also affected by the overall semiconductor industry's downturn in 2024. In 2024, the overall semiconductor industry experienced a significant downturn, driven by a combination of factors: (i) weak demand in the consumer electronics market, particularly for smartphones and PCs, led to a sharp decline in memory chip prices, dragging down overall industry revenue; and (ii) the inventory overhang was severe, especially in the memory chip sector. Although manufacturers adjusted supply through production cuts, inventory digestion remained a prolonged process. Despite an increase in market size in the global power semiconductor device industry, market players had expanded production capacity at a rate which surpassed end customer consumption rate, leading to a transitional phase in the industry with oversupply.

The semiconductor industry is inherently cyclical, primarily driven by supply-demand imbalances, inventory adjustments, and technological advancements, typically following a pattern of demand growth, capacity expansion, oversupply, inventory correction, and eventual demand recovery. Cyclicality of the semiconductor industry is reflected across different product generations. The fact that different products are simultaneously located in the decline, maturity, and growth stages of the product life cycle is a representation of the semiconductor industry's fundamental, continuous cyclicality in action. That is, when the 4-inch SiC epitaxial wafers were no longer the mainstream product size, its price quickly declined and then became stabilized due to the matured technology and decrease in sales volume. Following a period of aggressive market competition and price drops, 6-inch SiC epitaxial wafers then entered maturity phase and market demand-supply relationship became balanced. Manufacturers expanded production lines when 8-inch SiC epitaxial wafers started to enter a rapid growth phase since 2024, a year when the overall industry faced a downturn driven by slow growing demand and inventory challenges, but signs of recovery began to emerge as inventory level normalized and new sectors like AI and automotive electronics gain traction. Thus, the forecast for the market size from 2024 to 2028 shows a more promising trajectory, benefiting from increasing vehicle demand and renewed consumer spending on electronics and other goods. It is expected that the market size of global power semiconductor device industry will resume its growth, and further increase from US$49.6 billion in 2024 to US$78.8 billion in 2029, representing a CAGR of 10.1% from 2025 to 2029.

Market Size of Global Power Semiconductor Device Industry, in Terms of Revenue

USD Billion, 2020–2029E

CAGR	2020–2024	2025E–2029E
Total	2.3%	10.1%
Global SiC Power Semiconductor Device Industry	49.8%	40.5%



Source: F&S Report

Market Size of Global SiC Power Semiconductor Device Industry

Driven by the increasing adoption of industrial automation and expansion of the renewable energy, the global SiC power semiconductor device industry has demonstrated remarkable growth from 2020 to 2024, with the market size escalating from US$0.6 billion in 2020 to US$3.2 billion in 2024 at a CAGR of 49.8%. The projected market size for the SiC power semiconductor device industry from 2024 to 2029 continues to show an impressive upward trend, with a CAGR of 40.5% from 2025 to 2029. The market is anticipated to reach an estimated US$15.8 billion by 2029.

The penetration rate of global SiC in the overall power semiconductor device market has also seen a significant increase powered by the growing demand for cost-effective, high-efficiency and high-performance power electronics, particularly in electric vehicles, renewable energy systems, and industrial applications. SiC's superior properties, such as higher energy efficiency, thermal conductivity, and ability to operate at higher voltages and temperatures, which lead to reduced energy losses and translate into reduced battery sizes and consequently lower battery costs, have driven its adoption and integration into these sectors. Starting from 1.4% in 2020, the penetration rate increased to 6.5% in 2024, and is projected to soar to 20.1% by 2029, indicating a substantial shift in the market dynamics, with SiC materials becoming more prevalent and integral to the global power semiconductor device industry.

Market Size of Global SiC Power Semiconductor Device Industry, by Application

Driven by the need for efficient power management in high-voltage environments, while emerging applications like home appliances and data centers seek to leverage SiC's advantages for improved performance and energy efficiency, SiC power semiconductor devices are widely used in several sectors.

Breaking down the global power semiconductor device market by application, each sub-market exhibits its own growth trajectory:

- ***X Electric Vehicle (xEV):*** xEV is the abbreviation for electric vehicle in general, where 'x' stands for some additional acronyms, such as hybrid electric vehicle (HEV), plug in hybrid electric vehicle (PHEV), and battery electric vehicle (BEV). The high efficiency and power density of SiC devices are vital for enhancing xEV performance, with applications in critical components such as power converters, main drive inverters, on board couriers, battery chargers, bidirectional DC/DC converters (high voltage), and motor drives. The xEV sector shows the strong CAGR of 65.1% from 2020 to 2024, followed by a still-impressive 41.6% from 2025 to 2029. Benefiting from the unique advantages that SiC power semiconductor devices could offer, such as lower conduction resistance, smaller chip size, higher operating frequencies, and the ability to withstand higher environmental temperatures, the penetration rate of SiC power semiconductor devices in the xEV sector has been on an upward trajectory, starting 19.2% in 2024 and projected to reach 47.7% by 2029.

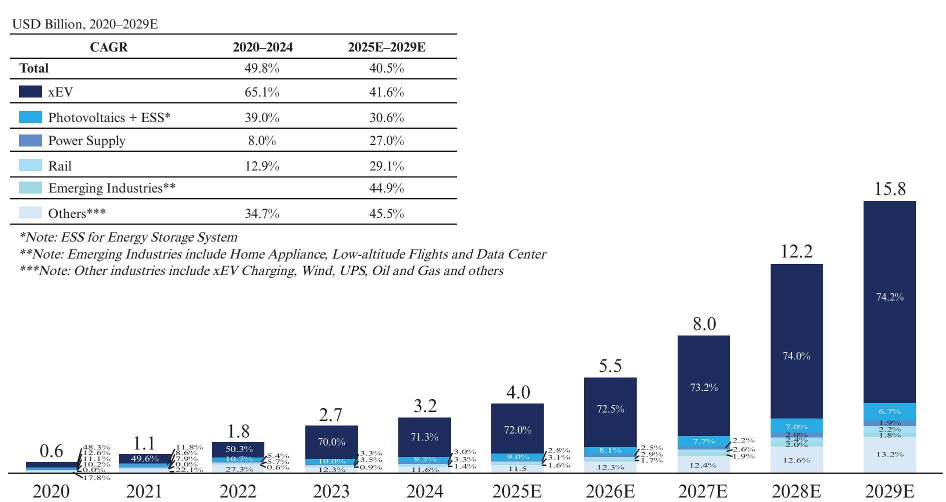
- ***Photovoltaics + Energy Storage Systems (ESS):*** SiC is used in photovoltaic system components like microinverters and DC/DC converters, improving inverter power density and efficiency, reducing energy loss, and minimizing system weight and volume, thus supporting the adoption of solar energy. The photovoltaics + ESS sector demonstrates robust growth, with CAGRs of 39.0% from 2020 to 2024 and 30.6% from 2025 to 2029. Driven by the need for more efficient and reliable energy storage solutions to complement the fluctuating nature of solar power generation, the penetration rate of SiC power semiconductor devices in the photovoltaics + ESS sector has been gradually increasing, starting from 9.7% in 2024 to 19.4% by 2029.

- ***Power Supply:*** In the power supply sector, SiC is crucial in industrial supplies and smart grids. It boosts efficiency and compactness in motor drives and precision equipment due to its high thermal conductivity and fast switching, cutting energy loss. In smart grids, SiC is vital for advancing solid-state transformers and flexible AC/DC transmission, enhancing efficiency and grid stability with its superior thermal and electronic traits. The power supply sector increased with a CAGR of 8.0% from 2020 to 2024 and is expected to grow at a CAGR of 27.0% from 2025 to 2029. Driven by the significant demand from new infrastructure industries, the penetration rate is on the rise, from 4.2% in 2024, and is projected to reach 12.3% in 2029.

- ***Rail:*** SiC's high critical field strength, high carrier saturation velocity, and high thermal conductivity enable the miniaturization and lightweight development of traction conversion systems, which is essential for meeting the green and energy-saving requirements of rail vehicle operations. Rail sectors, while starting from smaller bases, showed CAGRs of 12.9% from 2020 to 2024 and followed by 29.1% from 2025 to 2029. Starting from 16.7% in 2024, the penetration rate is projected to reach 31.8% by 2029, attributed to the advantages that SiC power semiconductor devices could offer in terms of high-temperature tolerance and high-frequency switching capabilities.

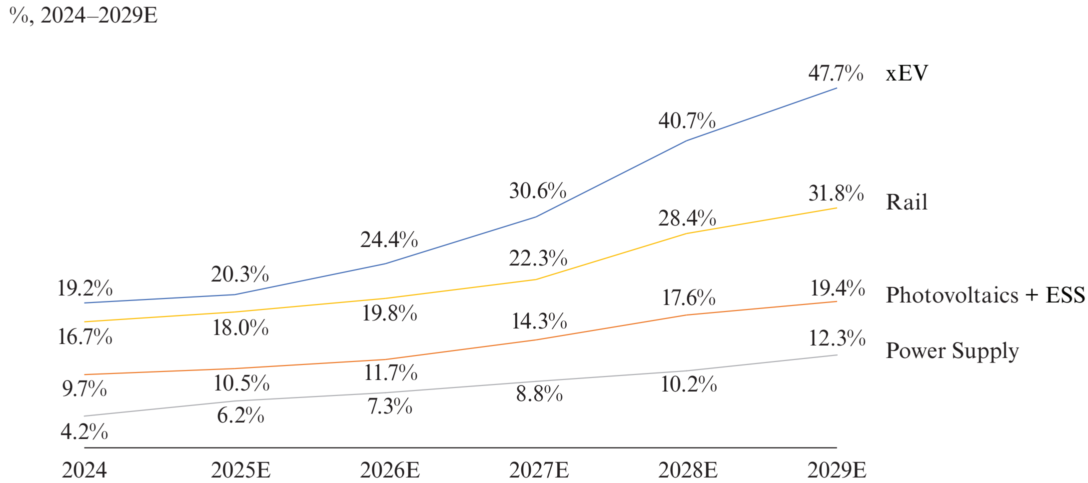
- ***Emerging Industries:*** The emerging SiC market encompasses applications in energy-efficient home appliances, advanced aerospace systems such as drones, and high-performance data centers, such as AI data centers. SiC is revolutionizing these industries with its superior efficiency and performance. In home appliances, SiC enables compact, energy-saving designs for devices such as air conditioners and induction cooktops by enhancing power conversion efficiency. For low-altitude flights, such as drones and electric vertical takeoff and landing (eVTOL) vehicles, SiC's high thermal stability and power density support lightweight, reliable powertrains and extended flight durations. In data centers, SiC plays a critical role in high-efficiency power supplies, reducing energy consumption and heat generation, thus meeting the growing demand for sustainable and high-performance infrastructure.

Market Size of Global SiC Power Semiconductor Device Industry, by Application



Source: F&S Report

Penetration rate[1] of SiC devices, by scenario



Note:

1 The penetration rate for a specific scenario in a specific year refers to the percentage of the number of SiC power modules out of the total number of power modules used in that scenario in the year.

Main Drivers of China's SiC Power Semiconductor Device Industry

The SiC power semiconductor device market in China is largely driven by the following key growth drivers:

Downstream Applications are Driving the SiC Power Semiconductor Device Industry's Growth in China

SiC power semiconductor devices offer higher efficiency, faster switching speeds, and better thermal management compared to traditional silicon-based devices, which is crucial for the performance and range of electric vehicles and the efficiency of solar power systems. Additionally, the expansion of smart grids and the need for more efficient and reliable power distribution systems further bolster the demand for SiC devices. As a result, the SiC power semiconductor device industry in China is experiencing significant growth, with market leaders investing in research and development to enhance the performance and reduce the production costs of SiC devices, enabling them more accessible for a broader range of applications.

Epitaxial Technology is a Cornerstone in Advancing the Performance and Quality of SiC Power Semiconductor Devices, Addressing Critical Substrate Defects and Satisfying the Demand for the High-performance Devices in Various Industries

The development of epitaxial technology plays a pivotal role in enhancing the quality and performance of SiC power semiconductor devices. The substrate itself may contain defects such as black polycrystalline defects, droplets, and triangular defects that can impede device performance. However, through the epitaxial process, a high-quality SiC layer can be grown over the substrate, which is essential for creating high-performance power devices capable of withstanding high voltages, high frequencies, and high temperatures. This advancement in epitaxy not only helps in reducing defect densities but also improves the electrical characteristics of the application devices, thereby ensuring better performance and reliability. The progress in epitaxial technology also enables the transition to larger sizes of epitaxial wafers, which can significantly reduce the cost per piece while maintaining or even enhancing device performance. This is crucial for meeting the growing demands of high-power applications across various industries, including electric vehicles, renewable energy systems, and industrial motor drives.

Rising Yields are Propelling SiC Power Semiconductor Device Industry's Penetration across Diverse Sectors, from Traditional to Emerging Applications

The SiC power semiconductor device industry's growth is marked by increased penetration in both existing and emerging sectors, with xEV, photovoltaics + ESS, power supply, and rail sectors reaping the benefits of SiC's superior performance. The penetration rates for these key traditional downstream applications are on the rise. This expansion is fueled by continuous advancements in manufacturing processes, leading to higher yields and more reliable semiconductors, which in turn enhances the appeal of SiC devices for a wide array of high-performance applications.

Key Trends of China's SiC Power Semiconductor Device Industry

The key trends of SiC power semiconductor device market in China include the followings:

High Degree of Specialization and Division of Labor in Various Segments of the Industry Chain is Becoming More Pronounced

Device manufacturers confront a strategic decision to integrate their supply chain by adopting an integrated device manufacturer model, for better controlling the entire production process. Conversely, the outsourcing of materials, particularly the procurement of epitaxial wafers from specialized suppliers, offers cost-effectiveness and quality assurance by capitalizing on suppliers' expertise. In the wake of technological advancements, the industry is experiencing a pronounced trend towards high degree of specialization and division of labor. This evolution suggests a future where industry participants will focus more intently on their respective areas of expertise, thereby enhancing overall production efficiency and driving innovation throughout the power semiconductor device sector.

Downstream Application Penetration is Accelerated by Cost Reduction and Technological Advancements

Cost reductions and technological improvements are key trends driving the SiC power semiconductor device industry in China. As production efficiencies increase and manufacturing processes become more refined, the cost of SiC components has been decreasing, making them more accessible and economically viable for a broader range of applications. This affordability, coupled with the inherent performance advantages of SiC over traditional silicon, such as higher efficiency, better heat management, and superior electrical properties, is accelerating its adoption in various sectors. We are able to take advantage in the cost reduction in that we make purchases with decreased purchase costs in addition to digesting our existing inventory, after which our gross margin and financial performance are therefore increased. Such cost reduction will cease, and the cost will stabilize, along with growing demand, broader adoption across various application, and stable market supply-demand relationship. The industry is witnessing a surge in the use of SiC in electric vehicles, renewable energy systems, and high-voltage power electronics, where the capabilities of SiC to handle high temperatures and voltages are particularly beneficial. Moreover, ongoing research and development efforts are continuously enhancing the performance and reliability of SiC devices, further expanding their potential in emerging markets like 5G communications, advanced computing, and smart grid technologies. These trends indicate a promising future for SiC as a critical material in the power semiconductor device industry, poised to support the next generation of energy-efficient and high-performance electronic devices.

OVERVIEW OF CHINA AND GLOBAL SIC EPITAXIAL WAFER MARKETS

Epitaxial wafer production, being the upstream segment in the semiconductor value chain, is where the most significant value addition occurs through the meticulous growth of layers that forms the foundation for subsequent device performance and functionality. There are mainly two business models for SiC epitaxial wafer manufacturers:

- ***Revenue from Sales of Epitaxial Wafer:*** For SiC epitaxial wafer production, manufacturers either source substrate materials based on customer requirements or independently. They complete the epitaxial growth process and sell the finished epitaxial wafers, with prices set to cover total costs including substrates. Revenue comes from epitaxial wafer sales. This model mandates full responsibility for the entire production process, offering a comprehensive service that enhances efficiency and provides an integrated solution for downstream manufacturers.

- ***Revenue from Foundry Manufacturing:*** Downstream device manufacturers supply substrate materials, and epitaxial wafer manufacturers handle other materials and production. They charge a fee for services plus profit, focusing on customization and utilizing their technology and production skills to meet specific customer needs. Revenue comes from service fees, not product sales.

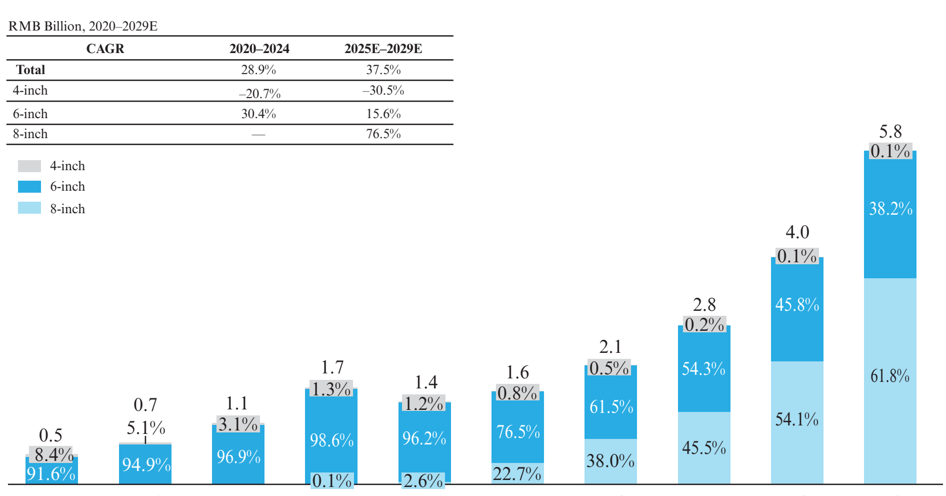
Market Size of China SiC Epitaxial Wafer, by Revenue

The overall Chinese market is expected to grow faster than the global market, with a projected CAGR of 37.5% from 2025 to 2029, while the global market's CAGR is 28.4% over the same years. The faster growth rate of the SiC epitaxial wafer market in China is mainly because major Chinese manufacturers have already planned and scheduled their production capacity expansion for the future and the market demand in the future is expected to match the production capacity. In China, the 6-inch epitaxial wafer segment may continue to play critical role in the near future, while the 8-inch epitaxial wafer segment is poised for rapid growth, promising to be a key contributor to the future market's expansion.

Between 2020 and 2024, the 6-inch epitaxial wafer segment saw a robust CAGR of 30.4%, yet this is expected to moderate to a CAGR of 15.6% from 2025 to 2029. The slower growth rate is due to the introduction of 8-inch epitaxial wafer in 2023. In terms of revenue, the 6-inch epitaxial wafer segment started at RMB0.5 billion in 2020 and experienced significant expansion, reaching RMB1.4 billion by 2024. Further growth is anticipated, with projections indicating a rise to RMB2.2 billion by 2029.

Conversely, the 4-inch epitaxial wafer segment in China has shown a decline, with a CAGR of –20.7% from 2020 to 2024, and an anticipated CAGR of –30.5% from 2025 to 2029, indicating a significant contraction. As cyclicality of the semiconductor industry is reflected across different product generations, such contraction is principally due to the introduction of 6-inch epitaxial wafers. Before 2020, due to the technology advancements of manufacturing of 6-inch SiC substrates and epitaxial wafers, the 6-inch SiC epitaxial wafers had gradually began to replace the 4-inch SiC epitaxial wafers in mainstream applications, showing a market maturity cycle ending for the older generation. This substitution caused the sales volume of the 4-inch products growing at a slow pace and then began to decline rapidly while the 6-inch product took over the mainstream market position. Owing to technological improvements, China began the sample delivery phase of 8-inch epitaxial wafers in 2024 and is expected to grow at a CAGR of 76.5% from 2025 to 2029. Due to the aforementioned benefits of 8-inch SiC epitaxial wafers, there will be more demand in the market. It is expected that the market share of 8-inch SiC epitaxial wafers increased from 10.8% in 2024 to 52.0% in 2029 in terms of sales volume globally. Meanwhile, downstream SiC power semiconductor device manufacturers' new production capacity will mainly focus on 8-inch epitaxial wafers. China SiC power semiconductor device manufacturers' production capacity for 8-inch SiC power semiconductor device is expected to exceed around 4 million pieces in total from 2025 to 2028, driving the growth of 8-inch SiC epitaxial wafer. The 8-inch epitaxial wafer segment is expected to reach RMB3.6 billion by 2029.

Market Size of China's SiC Epitaxial Wafer, in Terms of Revenue



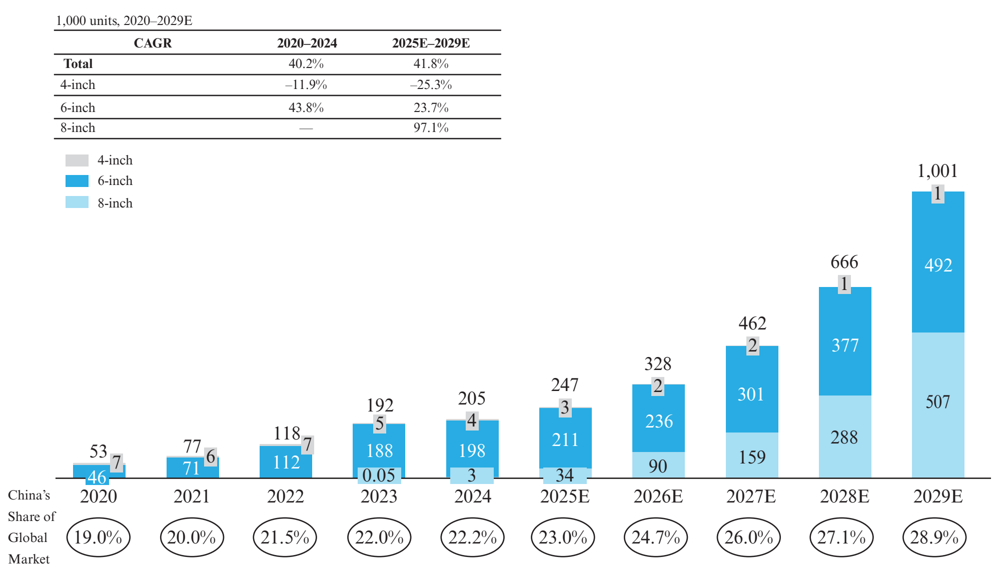
Source: F&S Report

Market Size of China's SiC Epitaxial Wafer, by Sales Volume

China's SiC epitaxial wafer market has shown superior growth compared to the global average. Looking forward to the period from 2025 to 2029, China's CAGR is projected to maintain a strong momentum at 41.8%, which is higher than the anticipated growth rate of 34.1% in the global SiC epitaxial wafer market.

China's 6-inch epitaxial wafer segment experienced rapid growth, especially from 2020 to 2024. The sales volume increased from 46 thousand pieces in 2020 to 198 thousand pieces in 2024, growing at a CAGR of 43.8%. The sales volume is expected to further increase from 198 thousand pieces in 2024 to 492 thousand pieces in 2029, with a CAGR of 23.7% from 2025 to 2029. Such slower growth reflects the shift of focus to 8-inch epitaxial wafer segment. The 4-inch epitaxial wafer segment is on a declining trend, with a CAGR of –11.9% from 2020 to 2024, and a projected CAGR of –25.3% from 2025 to 2029. The sales volume of the 8-inch epitaxial wafer segment is expected to increase from 3,000 pieces in 2024 to 507,000 pieces in 2029, representing an impressive CAGR of 97.1% from 2025 to 2029.

Market Size of China's SiC Epitaxial Wafer, in Terms of Sales Volume



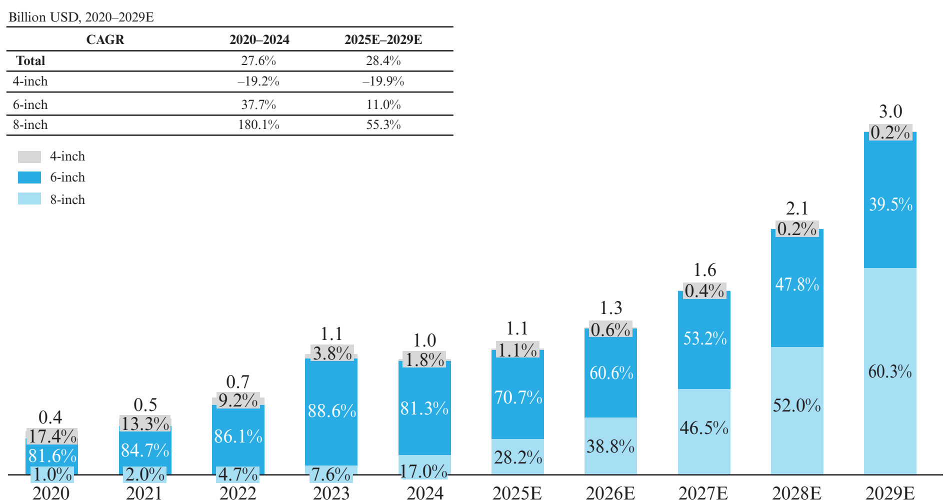
Source: F&S Report

Market Size of Global SiC Epitaxial Wafer, by Revenue

Currently, SiC epitaxial wafer offered in the market can be classified as 4-inch, 6-inch and 8-inch in terms of its size. 8-inch epitaxial wafers are a key trend for the future SiC epitaxial wafer industry. With larger size of epitaxial wafers, the total number of integrable chips increases. 8-inch SiC epitaxial wafers will increase the chip count by per epitaxial wafer 89% compared to 6-inch ones. Additionally, 8-inch substrates could lower the cost of SiC power semiconductor devices.

The global market for SiC epitaxial wafers has undergone a notable transformation, particularly in the revenue of 6-inch epitaxial wafers. The 6-inch epitaxial wafer segment has demonstrated substantial growth with the revenue increasing from US$0.3 billion in 2020 to US$0.8 billion in 2024, with a CAGR of 37.7%. It is expected to further increase to US$1.2 billion by 2029, with a CAGR of 11.0% from 2025 to 2029. The reason for such growth is principally due to relatively mature technology and better cost efficiency. Conversely, the 4-inch epitaxial wafer segment has experienced a decline in revenue with the popularity of 6-inch epitaxial wafers, decreasing from US$66.0 million in 2020 to US$17.8 million in 2024 and further to an expected US$4.9 million by 2029. Owing to technological advancements, the 8-inch epitaxial wafer segment, although starting from a low base, has shown promising growth, with the revenue rising from US$0.1 billion in 2024 to an anticipated US$1.8 billion by 2029.

Market Size of Global SiC Epitaxial Wafer, in Terms of Revenue



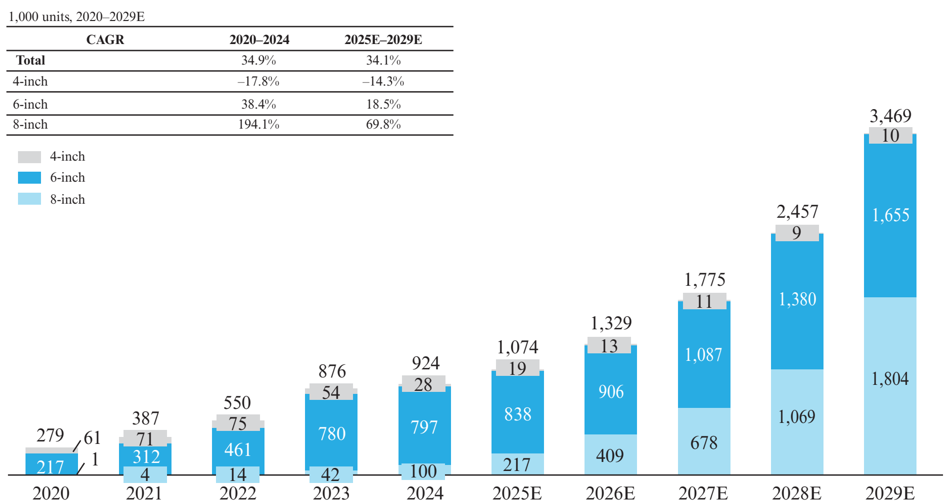
Source: F&S Report

Market Size of Global SiC Epitaxial Wafer, by Sales Volume

The global market for SiC epitaxial wafers has witnessed a significant shift towards 6-inch epitaxial wafers, driven by technological advancements and the efficiency benefits. The sales volume of 6-inch epitaxial wafers has shown a substantial increase, growing from 217 thousand pieces in 2020 to 797 thousand pieces in 2024, with a CAGR of 38.4%. It's projected that by 2029, the 6-inch epitaxial wafers will increase from 797 thousand pieces in 2024 to 1,655 thousand pieces, with a CAGR of 18.5% from 2025 to 2029.

On the other hand, the market for 4-inch epitaxial wafers has been on a downward trend, with sales volume dropping from 61 thousand pieces in 2020 to 28 thousand pieces in 2024, reflecting a CAGR of –17.8%. Looking ahead, driven by technological advancements and the efficiency benefits, the 4-inch epitaxial wafer segment is forecasted to further contract from 28 thousand pieces in 2024 to 10 thousand pieces by 2029, with a CAGR of –14.3% from 2025 to 2029. With the further advancements of the technologies, the 8-inch epitaxial wafer segment, despite its nascent stage, has exhibited most remarkable growth, increasing from a mere 1.3 thousand pieces in 2020 to 100 thousand pieces in 2024, with a CAGR of 194.1%. By 2029, it is expected to increase from 100 thousand pieces in 2024 to 1,804 thousand pieces, with a CAGR of 69.8% over the same years.

Market Size of Global SiC Epitaxial Wafer, in Terms of Sales Volume



Source: F&S Report

Average Selling Price Trends of Substrates and SiC Epitaxial Wafers

The mainstream of the market currently focuses on 6-inch SiC epitaxial wafers. The following chart sets forth the ASP trends of SiC substrates and SiC epitaxial wafers in China and globally for the years indicated:

SiC Substrate Average Selling Price Globally and in China

Average Price Trends of SiC Substrates Globally

RMB in thousands, 2020–2030E

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
4-inch	2.5–4.5	2.3–4.3	2.2–4.2	2.1–4.1	2.0–4.0	2.0–4.0	2.0–4.0	1.3–3.3	1.0–3.0	0.9–2.9	0.8–2.8
6-inch	5.6–7.6	5.5–7.5	5.2–7.2	4.7–6.7	3.3–5.3	2.8–4.8	2.5–4.5	1.6–3.6	1.3–3.3	1.2–3.2	1.1–3.1
8-inch	10.4–20.5	9.0–15.6	8.8–12.4	6.9–9.0	5.9–8.3	5.3–7.3	4.8–6.8	4.3–6.3	3.9–5.9	3.7–5.7	3.7–5.7

Average Price Trends of SiC Substrates in China

RMB in thousands, 2020–2030E

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
4-inch	1.6–3.6	1.5–3.5	1.4–3.4	1.2–3.2	1.1–3.1	1.0–3.0	0.9–2.9	0.8–2.8	0.8–2.8	0.7–2.7	0.7–2.7
6-inch	2.6–4.6	2.4–4.4	2.2–4.2	2.1–4.1	1.5–3.5	1.3–3.3	1.1–3.1	1.0–3.0	0.9–2.9	0.9–2.9	0.8–2.8
8-inch	N/A	N/A	9.0–15.0	8.4–12.3	5.3–10.0	4.5–6.5	3.9–5.9	3.4–5.4	3.0–5.0	2.6–4.6	2.3–4.3

Note: Price is given in range as it is affected by multiple market factors, including unexpected market demand and supply, among others.

Source: F&S Report

The average selling price of SiC substrates and SiC epitaxial wafers in various inches is expected to gradually decrease from 2025 to 2030. However, the average selling price of SiC epitaxial wafers in various inches is expected to decrease in smaller magnitude than the average selling price of the relevant SiC substrates with the following principal factors as advised by Frost & Sullivan:

1. The price of SiC epitaxial wafers is influenced not only by cost considerations but also by a variety of other market dynamics, including but not limited to market competition within the industry, and downstream environment, which affect the market demand and supply of the SiC epitaxial wafers and in turn affecting relevant selling prices. Therefore, the fluctuation in selling price of SiC substrates does not always proportionally affect the selling price of SiC epitaxial wafers;

2. It is noted that the CAGR of the average selling price of 6-inch SiC epitaxial wafers, which constituted more than 90% and 80% of the PRC and global market size of SiC epitaxial wafers in each year from 2020 to 2024 in terms of revenue, respectively, was approximately –5.0% and –5.8% in the aforesaid PRC and global market, while the CAGR of the average selling price of 6-inch SiC substrates was approximately –8.6% and –10.1% in the aforesaid PRC and global market, respectively for the same period. As such, it shows that the fluctuation of average selling price of SiC epitaxial wafers may not always proportionate to the fluctuation of average selling price of SiC substrates based on the aforesaid historical data; and

3. The SiC epitaxial wafers with 4-inch, 6-inch and 8-inch sizes are becoming increasingly mature, which has contributed to the stabilization of their prices. After the market has undergone a process of industry consolidation, the demand and supply is expected to be restored in a relatively balanced situation. Given that the 4-inch SiC epitaxial wafer is no longer the mainstream product size, manufacturers are only producing 4-inch SiC epitaxial wafers to satisfy niche or specific demands. Hence, its price stabilized due to the matured technology and contracted sales volume. Following a period of aggressive market competition and price drops, 6-inch SiC epitaxial wafer is entering maturity phase, with gradually restored market demand-supply balance. Its price is getting to a more stabled range as the market phasing towards 8-inch SiC epitaxial wafer. 8-inch SiC epitaxial wafer is in early developing stage with manufacturers proactively schedule and expand production lines. Given this expanded capacity, the 8-inch product is entering a rapid growth phase since 2024; its volume will increase, and prices will show a downward trend affected by technology advancements in manufacturing and economies of scale. The fact that these different products are simultaneously located in the decline, maturity, and growth stages of the product life cycle is a representation of the semiconductor industry's fundamental, continuous cyclicality in action.

In view of the above factors, it is expected that the average selling price of SiC epitaxial wafers will not have a significant fluctuation from 2025 to 2030 resulting in relatively stable price range of SiC epitaxial wafers with various inches, notwithstanding that the SiC substrate is expected to keep decreasing in the aforesaid forecast period.

The price decline of SiC epitaxial wafers was driven by expanded production capacity and technological advancements that reduced manufacturing costs. Other than industry oversupply caused by expanded production capacity, production iteration may also affect the market prices of SiC epitaxial wafers and substrates. For example, when 6-inch SiC epitaxial wafers are widely accepted by the downstream customers, the market demand for 4-inch SiC substrates as well as 4-inch SiC epitaxial wafers would consequently decrease given that 6-inch SiC epitaxial wafers have a larger total usable area. Similarly, as technology evolves and with the introduction of 8-inch SiC epitaxial wafers, the ASPs of 6-inch SiC substrates and 6-inch SiC epitaxial wafers steadily decline. However, at the same time, sales volume of 8-inch SiC substrates increase as the demand of 8-inch SiC epitaxial wafers rise, which will offset the decline in the ASPs of 4-inch and 6-inch SiC substrates as the ASP of 8-inch SiC substrates is higher than that of 4-inch and 6-inch SiC substrates, leading to a stabilized overall price of SiC substrates of all three types. In other words, the increased adoption of 8-inch SiC substrates, spurred by the rising market demand for 8-inch SiC epitaxial wafers, is anticipated to contribute to the stability of SiC substrate prices in China and globally. Despite the potential decrease in ASPs of 4-inch and 6-inch SiC substrates, the growing sales volume and relatively high ASP of 8-inch SiC substrates will help maintain an overall stable ASP of SiC substrates.

Price Range of SiC Epitaxial Wafers in China and Globally

Average Price Trends of SiC Epitaxial Wafers in China and Globally

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
						(RMB'000/piece)					
China Price Range	8.8–10.8	8.4–10.4	8.0–10.0	7.8–9.8	6.5–7.5	6.1–7.1	5.8–6.8	5.5–6.5	5.4–6.4	5.3–6.3	5.2–6.2
Global Price Range	8.5–10.5	7.8–9.8	7.5–9.5	7.4–9.4	7.2–9.2	6.8–7.8	6.2–7.2	6.0–7.0	5.8–6.8	5.6–6.6	5.4–6.4

Source: F&S Report

The following graph from Frost & Sullivan illustrates the actual and estimated global and China's average prices of 4-inch, 6-inch and 8-inch SiC epitaxial wafers for the years indicated, respectively, showing an overall steady decreasing trend from 2020:

Average Prices of Global SiC Epitaxial Wafers by Product Type

RMB in thousands, 2020–2030E

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
4 inch	6.8–8.2	6.0–7.6	4.7–6.7	4.1–6.1	3.7–5.7	2.2–4.2	2.2–4.2	2.2–4.2	2.2–4.2	2.2–4.2	2.2–4.2
6 inch	9.5–10.5	8.2–10.3	7.8–9.8	7.4–9.4	6.9–8.9	4.5–6.5	3.5–5.5	3.5–5.5	3.5–5.5	3.5–5.5	3.5–5.5
8 inch	18.7–20.3	16.8–18.5	14.4–16.4	13.3–15.3	11.1–13.1	9.0–11.0	7.0–9.0	7.0–9.0	7.0–9.0	7.0–9.0	7.0–9.0

Average Prices of China's SiC Epitaxial Wafers by Product Type

RMB in thousands, 2020–2030E

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
4 inch	5.5–7.4	4.8–6.8	4.1–6.1	3.7–5.7	3.5–5.2	2.0–4.0	2.0–4.0	2.0–4.0	2.0–4.0	2.0–4.0	2.0–4.0
6 inch	9.3–11.0	8.0–10.5	8.3–10.3	7.9–9.9	6.6–8.6	4.2–6.2	3.0–5.0	3.0–5.0	3.0–5.0	3.0–5.0	3.0–5.0
8 inch	N/A	N/A	N/A	33.0–35.0	12.0–14.0	10.1–12.1	6.8–8.8	6.8–8.8	6.8–8.8	6.8–8.8	6.8–8.8

Note:

(1) Price is given in range as it is affected by multiple market factors, including but not limited to unexpected market demand and supply, and etc.

Source: F&S Report

The following events show the development of the SiC epitaxial wafer industry and illustrate its impact on the ASP, which is primarily caused by product iteration and market supply-demand relationship:

- In previous years, SiC epitaxial wafer manufacturers expanded their production capacity, focusing on 4-inch and 6-inch products in view of downstream demand.

- The expanded production capacity led to an oversupply of 4-inch and 6-inch SiC epitaxial wafers, resulting in a steady decrease in the ASPs. This also caused the exit of small market players who were unable to maintain profitable performance, resulting in a reshuffling of market players and hence a decrease in the number of participants.

- Technological advancement has driven the iteration of products, and the prevalence of 6-inch SiC epitaxial wafers has led to the obsolescence of 4-inch products. As 6-inch products are generally more advanced than 4-inch products, the ASP of 6-inch products is generally higher than that of 4-inch products.

- The ASPs of 4-inch and 6-inch products will become stable when the market supply-demand balance is restored. As projected by Frost & Sullivan based on its interview with relevant experts, 8-inch products will become mainstream, replacing 4-inch and 6-inch products' markets. Therefore, the market players will not compete in 4-inch and 6-inch products' markets, and the ASPs of 4-inch and 6-inch products are expected to be relatively stable. Hence, Frost & Sullivan anticipates that the ASP of 4-inch products has reached its bottom line and will remain relatively stable since 2025, and the ASP of 6-inch products will reach its bottom line and will remain relatively stable since 2026.

- Although 8-inch SiC epitaxial wafers have been developed in the overseas market for years, 8-inch products, in particular domestically made products, were initially launched in the PRC market in 2023. The ASP of 8-inch products were relatively high principally due to its scarcity at the commencement in the PRC. As such, the SiC epitaxial wafer manufacturers started to further expand the production capacity to get prepared for the increased demand on 8-inch products with advanced technology. Downstream customers choose 8-inch SiC epitaxial wafers from domestic suppliers despite the higher prices than products provided by overseas suppliers, primarily due to a more secure supply chain which ensures a more reliable source of raw materials in face of global uncertainties. In addition, procurement from domestic suppliers facilitate better collaboration and customized solutions, and ensures more responsive services. It also reduces transportation costs and logistics complexities, avoids potential tariff and import cost burdens which can significantly affect the price of internationally sourced wafers. Therefore, such procurement is more cost-effective and strategically sound for PRC companies.

- The transition from the sampling phase to full-scale production of 8-inch SiC epitaxial wafers will lead to an expected decrease in the ASP of 8-inch products in the PRC. Coupled with growing demand, broader adoption across various applications and decrease in the number of participants as discussed above, this lowered ASP will lead to a gradual stabilization of price since 2026, as projected by Frost & Sullivan.

- Alongside controlled supply growth and technology barriers possessed by limited market players, the reshuffling will again lead to a balanced market supply-demand relationship, leading to a stable ASP and thus halting the price wars that previously caused persistent price reductions in the industry.

The table below sets forth a comparison of the market average price trend of SiC epitaxial wafers and the average selling prices of our SiC epitaxial wafers by sizes in 2022, 2023 and 2024:

Size of SiC epitaxial wafers	**Self-manufactured/Region**	**For the year ended December 31,**		
		2022	**2023**	**2024**
		RMB'000/piece		
4-inch	ASP of self-manufactured products	4.1	4.5	4.5
	China average price trend	4.1–6.1	3.7–5.7	3.2–5.2
	Global average price trend	4.7–6.7	4.1–6.1	3.7–5.7
6-inch	ASP of self-manufactured products	9.6	8.9	6.7
	China average price trend	8.3–10.3	7.9–9.9	6.6–8.6
	Global average price trend	7.8–9.8	7.4–9.4	6.9–8.9
8-inch	ASP of self-manufactured products	—	34.5	12.5
	China average price trend	—	33.0–35.0	12.0–14.0
	Global average price trend	14.4–16.4	13.3–15.3	11.1–13.1

In 2022, 2023 and 2024, the average selling prices of our SiC epitaxial wafers by sizes were largely consistent with the average price trend in China and globally with some minor fluctuations, except that we (as well as the China market) did not record an average selling price of 8-inch SiC epitaxial wafers in 2022 as we were among the few companies in China to possess the capability of mass production of 8-inch SiC epitaxial wafers in 2023, and as a result, the average selling prices of our 8-inch SiC epitaxial wafers and the average price trend in China in 2023 were significantly higher than the global average price trend. While we and the other companies in China have been able to gradually reduce the manufacturing costs of 8-inch SiC epitaxial wafers in 2024 and therefore offer a lower selling price for this type of product, our average selling prices of the 8-inch SiC epitaxial wafers and the average price trend in China were still higher than the global average price trend in 2024.

With the expected decrease in the ASP of SiC substrates, the cost of epitaxial wafers is also projected to decline, as SiC substrates are the main raw material of SiC epitaxial wafers. The ASP of SiC epitaxial wafers globally and in China is expected to drop steadily by 2028, mainly because (i) the decline in the ASP of SiC substrates caused by the combination of market competition and scale production has led to a reduction in unit production costs; (ii) technological advancements which are expected to improve epitaxy growth efficiency and lead to lower per-epitaxial wafer costs; and (iii) increasing domestic equipment substitution that is expected to cut depreciation costs for manufacturing SiC epitaxial wafers. SiC epitaxial wafer manufacturers can enhance their gross margins by focusing on high-value products for advanced applications, improving production efficiency, scaling capacity to achieve economies of scale, and leveraging innovations such as larger epitaxial wafers and advanced epitaxial technologies. See "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency" for details of our approaches to improve production efficiency. Vertical integration and market diversification into emerging industries can further capture value and sustain profitability.

Drivers of China's SiC Epitaxial Wafer Industry

China's SiC epitaxial wafer market is largely driven by the following key growth drivers:

Growth of SiC Power Semiconductor Device Market

SiC epitaxial wafers are key materials for manufacturing SiC power semiconductor devices. As the demand for high-performance SiC power semiconductor devices continues to grow, it drives the demand for SiC epitaxial wafers. Over the years, the growth of industries such as renewable energy, power electronics, automotive and telecommunication, have combined to drive the expansion of the SiC power semiconductor device market. These high-performance semiconductors have become indispensable due to their ability to operate efficiently at high temperatures and voltages, low energy consumption during switching, and the ability to improve the overall efficiency of electronic systems. The SiC power semiconductor device market in China grew rapidly from 2020 to 2024, with a CAGR of 56.0%. It is expected to continue to grow, with a CAGR of 44.9% from 2025 to 2029. These factors will drive the growth of the upstream SiC epitaxial wafer market.

The Quality of SiC Epitaxial Wafer is Getting More Reliable Due to the Advancements in Production Technology

The quality of SiC epitaxial wafer is getting more reliable due to the advancements in epitaxial layer thickness, deposition technologies, and equipment innovations. The industry is moving towards thicker epitaxial layers, with some manufacturers achieving up to 300 μm, to meet the need for higher voltage tolerance. Such development enhances device performance, reliability, and energy efficiency while reducing production costs. Chemical vapor deposition (CVD) technology is currently the most popular 4H-SiC epitaxial method, with the advantages of moderate cost, good epitaxial quality and fast growth rate. CVD technology prepares high-quality SiC epitaxial layers by degrading and decomposing the gaseous precursors at high temperatures, so as to make their atoms recombine and form a solid film on the surface of the substrate. Innovations in epitaxial equipment, such as multi-chamber designs and multi-chip processing, are crucial for boosting production efficiency and reducing costs. Compared to horizontal SiC epitaxial furnaces, the gas intake of vertical machines helps to achieve lower defect rates because the gas enters vertically from the top, which facilitates uniform distribution of the gas and uniform growth of the epitaxial layer. All these technological advances help to improve the production efficiency and reduce production costs, thereby promoting the overall development of the SiC epitaxial wafer industry.

Government Policy Support

In recent years, the PRC government has been enacting favorable policies related to SiC epitaxial wafers. In July and August 2023, MIIT issued the *Implementation Opinions on Reliability Improvement of Manufacturing Industry* and *Action Program for Stable Growth in the Electronic Information Manufacturing Industry 2023–2024*, which emphasized the need to set industry standards and improve the reliability of wide-band power semiconductor devices like SiC power semiconductor devices. In March 2021, the National People's Congress published the *Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Vision 2035* to promote the development of wide-band gap semiconductors materials such as SiC. These policies reflect a strategic focus on advancing SiC epitaxial wafer technology and fostering the semiconductor industry in China.

Trends of China SiC Epitaxial Wafer Industry

The key trends of China SiC epitaxial wafer market include the following:

China Domestic SiC Substrates Will Replace Foreign SiC Substrates

In recent years, as China domestic SiC substrate industry continues to mature, China SiC epitaxial wafer manufacturers are increasingly adopting domestic substrates, gradually reducing their dependence on foreign sources. Specifically, the price of domestic 6-inch SiC substrates has been on a downward trend. Please see "— Overview of China and Global SiC Epitaxial Wafer Markets — SiC substrate average selling price globally and in China" in this section for further information on average selling price globally and in China. This trend suggests that the domestic SiC substrates will experience a more rapid price reduction compared to their foreign counterparts, which indicates that the substitution of domestic SiC substrates will become a market trend.

Scale Effect Appears; Professional Epitaxial Wafer Manufacturers Will Form Cost Barriers

In the future, with the development of technology-intensive industry, manufacturers focusing on the upstream segment of the industry chain, particularly those specializing in epitaxial wafer production, are poised to create substantial industrial value. The economy of scale resulting from their operations will enhance efficiency and confer a competitive advantage. This trend is expected to lower per-unit production costs, enabling these manufacturers to establish significant cost barriers. As these epitaxial wafer manufacturers ramp up production and refine their manufacturing processes, they will be able to use their scale to negotiate more favorable terms with suppliers, invest in cutting-edge technologies, and achieve higher levels of automation. These factors will contribute to a reduced cost base, essential for sustaining profitability in a competitive landscape. The cost barriers arising from these advantages will increasingly challenge new entrants, who would need to match the cost structures of established players to remain viable.

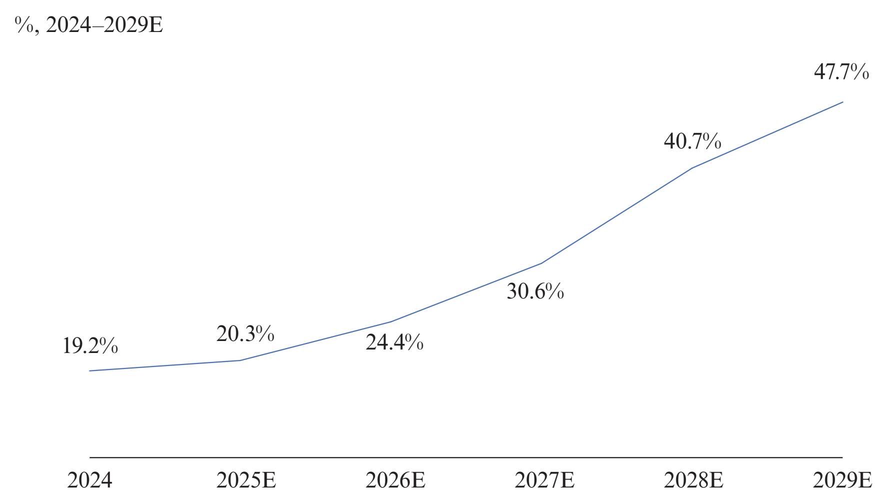
Shifting From 6-Inch to 8-Inch Production Lines

At present, the SiC epitaxial wafer industry is in a critical period of transition from 6-inch to 8-inch. 6-inch SiC epitaxial wafers are widely used in power electronic devices due to its mature technology, stable quality and relatively low cost. However, with the advancement of technology and the growth of market demand, 8-inch SiC epitaxial wafers have gradually become the new focus of the industry due to its higher output rates, reduced edge loss, and improved device performance. Currently, the PRC 8-inch SiC epitaxial wafer market has moved beyond the testing phase in 2023, with a few leading manufacturers commencing mass production since 2024. As demand for 8-inch SiC epitaxial wafers of China's downstream SiC power semiconductor device manufacturers is expected to increase due to its cost-efficiency and die-yield characteristics, several existing manufacturers are actively upgrading their production lines and planning new capacity additions. It is anticipated that as technology matures and production capacity is unleashed, the price of 8-inch SiC epitaxial wafers will gradually decrease, significantly boosting market sales and adoption rates. It is expected that China's SiC epitaxial wafer manufacturers possessing advanced technology and production capacity for mass production of 8-inch SiC epitaxial wafers would have competitive advantages to seize the potential market demand on 8-inch SiC epitaxial wafers. In summary, the transition from 6-inches to 8 inches is the inevitable trend of the future development of the SiC epitaxial wafer industry. Such process will be subject to technological advances, cost reductions and the growth of market demand for the joint promotion.

Continuous Expansion of Manufacturers' Production Capacity to Meet Growing Market Demand

With the growing demand for SiC power semiconductor devices in China, especially the rapid development of new energy vehicles, 5G communications, photovoltaic power generation and other industries, SiC epitaxial wafer, as a key upstream material, has attracted a lot of attention for its market prospects. The sales volume of automobiles in China is projected to grow from 33.5 million units in 2025 to 50.8 million units in 2029 at a CAGR of 11.0%, and the global sales volume of automobiles is projected to grow from 98.7 million units in 2025 to 119.9 million units in 2029 at a CAGR of 5.0%. The sales volume of xEVs accounted for an increasing percentage of the entire automobile market in China and globally, increasing from 19.5% and 40.9% in 2024 and are expected to reach about 80.3% and 44.4%, respectively, in 2029. On average, around 0.4 pieces of 6-inch SiC epitaxial wafers are used on one single electric vehicle in 2025. On contrast, internal combustion engine (ICE) vehicles typically do not use SiC epitaxial wafers, as ICE vehicles' power system does not require a high temperature- and high pressure-resistant semiconductor material like SiC. The increasing sales volume of xEVs and cost-effectiveness of SiC epitaxial wafers have resulted in the rising application and penetration rate of SiC epitaxial wafers in the xEV sector. As an important component of xEVs, the rapid growth in the xEV sector is expected to provide a robust foundation for the development of the SiC epitaxial wafer industry. Moreover, as projected by Frost & Sullivan, the decreasing prices in recent years will lead to an increasing penetration rate of SiC power semiconductor devices and hence, SiC epitaxial wafers, in the xEV sector, being 19.2% in 2024 and expected to reach 47.7% by 2029. The following graph illustrates the penetration rate of SiC epitaxial wafers in the xEV sector from 2024 to 2029:

Penetration rate of SiC epitaxial wafers in the xEV sector[1]



Note:

1. The penetration is calculated by the installation volume of SiC modules in global xEV over the potential installation volume of SiC modules in global xEV.

In this context, numerous enterprises in China are ramping up their production capacities to cater to the burgeoning market needs. The CAGR of the SiC epitaxial wafer market in China in terms of revenue is anticipated to see an even more robust CAGR of 37.5% from 2025 to 2029, underscoring the significant potential for future demand. In addition, as production capacities expand, economies of scale will drive down the cost of sales, enabling manufacturers to lower their production costs. This reduction in cost will enhance the competitiveness of manufacturers, allowing them to offer more attractive pricing and increase market share. Mainstream SiC epitaxial wafer manufacturers will focus on expanding their 8-inch SiC epitaxial wafer production lines.

Key Threats and Challenges of China's SiC Epitaxial Wafer Market

Price Drop Challenge

The competition is increasing in the SiC epitaxial wafer industry. The market's average price range of 6-inch SiC epitaxial wafer in China is expected to drop steadily from around RMB8.3 thousand to RMB10.3 thousand per piece in 2021 to around RMB3.1 thousand to RMB5.5 thousand per piece in 2029, while the average price range of 6-inch SiC substrates globally is also expected to drop from around RMB4.6 thousand to RMB6.6 thousand per piece in 2021 to around RMB2.3 thousand to RMB4.3 thousand per piece in 2029. Such trend is applicable to the overall SiC market. The price drop is gradually eroding the profit margin of the manufacturers. Despite the current industry-wide price pressures, prices are expected to show a steady decline in the future, and will not continue to experience sharp fluctuations or precipitous drops, eventually stabilizing.

Risk of Policy Change

As the technology development and equipment investment in the SiC industry requires huge capital and has a long payback period, policy support is strongly related to the healthy development of the industry. Policy changes globally and in China may lead to fluctuations in the market demand, cost structures and supply chain stability in the SiC industry, resulting in a range of policy-related risks. For example, the tariff sanction policy imposed by the U.S. on China's semiconductor industry in 2023 has already had an impact on the export of China's SiC products, leading to a decline in exports. The global sales downturn for China's SiC epitaxial wafer manufacturers has been counterbalanced by a surge in domestic sales, bolstered by the Chinese government's robust policy supports, such as a series of favorable policies, including the *Implementing Opinions on Promoting the Innovative Development of Future Industries* and *the Action Program for Stable Growth in the Electronic Information Manufacturing Industry 2023–2024*.

COMPETITIVE LANDSCAPE OF CHINA'S AND GLOBAL SIC EPITAXIAL WAFER MARKETS

Overall, there are over 20 SiC epitaxial wafer manufacturers in the PRC market in 2024. The competition of China's SiC epitaxial wafer market is highly concentrated, with the top five players accounting for 78.4% of the total market in terms of revenue from both self-manufactured SiC epitaxial wafers and those under foundry service, and 87.6% of the total market in terms of revenue from self-manufactured SiC epitaxial wafers only, both generated in China in 2024. Notably, the Group emerged as the market leader, securing a significant market share of 26.2% and 30.6%, respectively, with revenue reaching about RMB0.5 billion and RMB0.4 billion, respectively, from both self-manufactured SiC epitaxial wafers and those under foundry service, and from self-manufactured SiC epitaxial wafers only. This dominant position underscores the Group's substantial influence on the industry and its ability to shape market dynamics within the SiC epitaxial wafer sector.

Ranking of SiC Epitaxial Wafer Manufacturers in China, in Terms of Revenue from Self-manufactured SiC Epitaxial Wafers and Those Under Foundry Service (2024)

Ranking	Company	Revenue	Market Share
		(RMB in Billions)	*(%)*
1	The Group	0.5	26.2
2	Company A[(1)]	0.4	25.6
3	Company B[(2)]	0.2	11.9
4	Company C[(3)]	0.2	9.1
5	Company D[(4)]	0.1	5.6
Subtotal		**1.4**	**78.4**

Source: F&S Report

Notes:

(1) Company A is a private company based in Hebei, China, specializing in research and production of SiC epitaxial wafers. Its main products include various specifications and models of SiC epitaxial wafers and GaN epitaxial wafers.

(2) Company B is a private company based in Fujian, China, specializing in the research, development, manufacturing, and sales of SiC epitaxial wafers. It focuses on the R&D and production of SiC epitaxial wafers and also provides related semiconductor epitaxial wafer testing services.

(3) Company C is a private company based in Zhejiang, China, specializing in the development and production of wide bandgap semiconductor materials. It primarily focuses on the research, development, production, and sales of SiC materials and GaN epitaxial materials.

(4) Company D is a private global wide-bandwidth material epitaxial foundry service provider for high-voltage, high-power applications to provide professional, high-quality epitaxial foundry services based in Jiangsu, China.

Ranking of SiC Epitaxial Wafer Manufacturers in China, in Terms of Revenue from Self-manufactured SiC Epitaxial Wafers (2024)

Ranking	Company	Revenue	Market Share
		(RMB in Billions)	*(%)*
1	The Group	0.4	30.6
2	Company A	0.4	29.2
3	Company B	0.2	12.0
4	Company C	0.1	9.7
5	Company D	0.1	6.1
Subtotal		**1.3**	**87.6**

Source: F&S Report

In 2024, the top five companies in China's SiC epitaxial wafer market held a significant share of the market, accounting for 84.2% and 87.6% of the total sales volume from both self-manufactured SiC epitaxial wafers and those under foundry service, and from self-manufactured SiC epitaxial wafers only, respectively. The Group stood out as the market leader, capturing an impressive 28.2% and 32.5% share with sales volume reaching about 73 thousand and 67 thousand pieces from both self-manufactured SiC epitaxial wafers and those under foundry service, and from self-manufactured SiC epitaxial wafers only, respectively. This dominant position highlights the Group's strong market presence and its significant influence on the industry.

Ranking of SiC Epitaxial Wafer Manufacturers in China, in Terms of Sales Volume from Self-manufactured SiC Epitaxial Wafers and Those Under Foundry Service (2024)

Ranking	**Company**	**Sales Volume** *(Pieces in Thousands)*	**Market Share** *(%)*
1	The Group	73	28.2
2	Company A	66	25.4
3	Company B	37	14.2
4	Company C	27	10.4
5	Company D	15	6.0
Subtotal		**218**	**84.2**

Source: F&S Report

Ranking of SiC Epitaxial Wafer Manufacturers in China, in Terms of Sales Volume from Self-manufactured SiC Epitaxial Wafers (2024)

Ranking	**Company**	**Sales Volume** *(Pieces in Thousands)*	**Market Share** *(%)*
1	The Group	67	32.5
2	Company A	56	27.3
3	Company B	25	12.2
4	Company C	20	9.8
5	Company D	12	5.9
Subtotal		**180**	**87.6**

Source: F&S Report

We derived a majority of revenue from domestic market during the Track Record Period, and a relatively smaller portion of revenue from overseas market. Top China-based players typically involve in domestic and overseas sales. We ranked the third among all China-based SiC epitaxial wafer manufacturers both in terms of revenue and sales volume generated from self-manufactured SiC epitaxial wafers from the global market (including both domestic and overseas markets) in 2024, with a market share of 6.7% in terms of revenue and 7.8% in terms of sales volume, respectively.

Ranking of China-based SiC Epitaxial Wafer Manufacturers in Global Market, in Terms of Revenue from Self-manufactured SiC Epitaxial Wafers (2024)

Ranking	Company	Revenue *(RMB in Millions)*	Market Share *(%)*
1	Company B	840	11.7
2	Company A	754	10.5
3	The Group	484	6.7
4	Company D	440	6.1
5	Company C	187	2.6
Subtotal		**2,705**	**37.6**

Source: Public Information, Expert Interview, Frost & Sullivan

Ranking of China-based SiC Epitaxial Wafer Manufacturers in Global Market, in Terms of Sales Volume from Self-manufactured SiC Epitaxial Wafers (2024)

Ranking	Company	Sales Volume *(Pieces in Thousands)*	Market Share *(%)*
1	Company B	122	13.2
2	Company A	101	10.9
3	The Group	72	7.8
4	Company D	60	6.5
5	Company C	27	2.9
Subtotal		**381**	**41.2**

Source: Public Information, Expert Interview, Frost & Sullivan

Entry Barriers of China's SiC Epitaxial Wafer Market

The key entry barriers of China's SiC epitaxial wafer market include the followings:

Sufficient Industry Know-how

SiC epitaxial wafer is a highly technology-intensive industry, and the epitaxial growth technology involved requires long-term R&D and production. Accumulated experience and know-how make the epitaxial wafers meet high requirements in many parameters. For new entrants in the industry, it is impossible to break through the core R&D technology in a short period of time and make the products reach the same quality standard, facing high technical barriers.

Adequate Resource

The SiC epitaxial wafer industry demands significant equipment investment, particularly for crystal growth furnaces and processing machinery such as cutting, grinding, and polishing equipment, which necessitate substantial capital outlay. To sustain technological leadership and ensure product quality, companies must continuously allocate considerable R&D funding. This includes the development of new materials and the optimization of production processes. With ongoing capital investment, economies of scale will gradually emerge, thereby establishing cost advantages. The industry requires a robust and specialized management and R&D team to maintain a competitive edge. Currently, the industry has established a high barrier to entry for professionals and technical experts, and the cost of recruiting high-end talent is substantial, making it challenging for new market entrants to rapidly assemble a professional team.

Advancement in Technology

The production of SiC epitaxial wafers involves high-precision technologies, including material growth and the optimization of epitaxial processes, which necessitate long-term technological accumulation and extensive research and development. For instance, producing high-quality SiC epitaxial wafers requires mastering advanced growth technologies and optimization processes, which are essential for reducing or eliminating substrate defects and enhancing device yields. Such requirements demand that companies possess robust R&D capabilities and a commitment to technological innovation.

Solid Channels

Supply chain management in the SiC epitaxial wafer industry faces channel barriers, requiring companies to establish long-term relationships with upstream and downstream. Upstream substrate quality is critical to product performance, and limited resources for high-quality epitaxial furnaces and substrates increase the difficulty of entry for new companies. Downstream device manufacturers have long product validation cycles and strict certification procedures, and once a partnership is established, customer stickiness is high, making it difficult for new competitors to gain access to customers.

Information disclosed in this section is relevant PRC laws and regulations (the "PRC Laws") in effect which have a significant impact on our Group's operations in the PRC as of the date of this prospectus, 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, which was promulgated by the SCNPC on December 29, 1993, last amended on December 29, 2023 and took effect on July 1, 2024. The Company Law generally governs two types of companies, namely limited liability companies and joint stock 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 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 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 Implementation Provisions of 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 pre-establishment national treatment and negative list management system for foreign investment.

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 management, 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. 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. As of the Latest Practicable Date, our business does not fall within the scope of the Negative List and the Encouraging Catalog.

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 SCPNC 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 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 unrelated 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, 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.

REGULATIONS ON THE SEMICONDUCTOR INDUSTRY

On March 11, 2021, the NPC issued *the Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Vision 2035 of the PRC* (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), provided that strategic scientific programs and scientific projects should be formulated and implemented in the basic and core areas concerning national security and development, and that pioneering and strategic national projects should be carried out in frontier fields. In the integrated circuit field, efforts should focus on researching and developing integrated circuit design tools, key equipment and key materials such as high-purity targets, achieving breakthroughs in advanced integrated circuit technology and characteristic processes such as insulated gate bipolar transistor (IGBT) and micro electromechanical system (MEMS), upgrading advanced storage technology and developing wide bandgap semiconductors such as silicon carbide and gallium nitride.

On June 1, 2021, *the Guiding Opinions of the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Finance, and Other Departments on Accelerating the Cultivation and Development of High-quality Manufacturing Enterprises* (《工業和信息化部、科技部、財政部、商務部、國資委、證監會關於加快培育發展製造業優質企業的指導意見》) was issued. The document specified that innovation consortiums or strategic alliances for technological innovation shall be established through high-quality enterprises. Collaborative innovation shall be conducted, and efforts shall be doubled to make breakthroughs in the fields of basic spare parts, basic electronic components, basic software, basic materials, basic processes, high-end instruments and equipment, integrated circuits, and network security and demonstrate the applications in the aforesaid field.

On December 12, 2021, the State Council issued *the Notice by the State Council of Issuing the Plan for Development of the Digital Economy During the "14th Five-Year" Period* (《國務院關於印發"十四五"數字經濟發展規劃的通知》), provided that efforts shall be made to improve the supply of basic software and hardware, core electronic components, key basic materials and production equipment, and strengthen the self-sufficiency guarantee capability of key products. The program of enhancing and supplementing the supply chain shall be carried out, to strengthen technological integration and product innovation for diversified application scenarios, enhance the competitiveness of key links in the industrial chain, and improve the supply chain system of key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and industrial Internet.

On June 2, 2023, *the Notice by Five Departments Including the Ministry of Industry and Information Technology of Issuing the Opinions on the Implementation of Reliability Improvement in the Manufacturing Industry* (《工業和信息化部等五部門關於印發〈製造業可靠性提升實施意見〉的通知》) was issued. The document provided that, in the electronics industry, priority shall be given to improving the reliability of high-end general-purpose CPUs such as SoCs, MCUs, and GPUs for electronic equipment; gallium nitride, silicon carbide, and other wide-band-gap power semiconductor devices; precision optical components; optical communication devices; new sensing units and sensors; adaptive sensor modules; Beidou chips and devices; chip resistors, capacitors, and inductors; high-speed connectors; high-end radio-frequency devices; high-end electromechanical components; LED chips; and other electronic components.

On January 18, 2024, *the Implementation Opinions of Seven Departments Including the Ministry of Industry and Information Technology on Promoting the Innovative Development of Industries of the Future* (《工業和信息化部等七部門關於推動未來產業創新發展的實施意見》) was issued. The document specified that the development of major technical equipment shall be accelerated to meet the country's major strategic needs and the people's needs for a better life, and that breakthroughs shall be made in developing high-end equipment products such as humanoid robots, quantum computers, ultra-high-speed trains, new-generation large passenger aircraft, green intelligent ships, and unmanned boats. The development of these high-end equipment products requires support from the semiconductor industry, particularly semiconductor products for high-performance computing, storage, and network communications.

LAWS AND REGULATIONS RELATING TO LEASING

According to *the Civil Code of the PRC* (《中華人民共和國民法典》) (the "**Civil Code**") promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, the creation, change, transfer and cancellation of real estate rights shall be registered in accordance with the law. The creation and transfer of movable property rights shall be delivered in accordance with the law. Owners shall have the rights to possess, use, benefit from and dispose of their real estate or movable properties in accordance with the law.

Pursuant to *the Administrative Measures for Commodity House Leasing* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and implemented on February 1, 2011, parties to house leasing shall register with the property administrative department at which the property is situated within 30 days after entering into the property leasing contract. In case of violation of the foregoing provision, the property administrative department shall order to make rectification within a time limit and enterprise may be imposed a fine of RMB1,000 to RMB10,000 if it does not make such rectification within the limited time.

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.

According to *the Administrative Measures for the Administration of Fire Safety in Leased Factory Buildings and Warehouses (for Trial Implementation)* (《租賃廠房和倉庫消防安全管理辦法(試行)》) promulgated on July 14, 2023 by the National Fire and Rescue Administration and took effect on the same day, the lessor, lessee and property service enterprise of a leased factory building or warehouse shall fulfil their relevant fire safety duties and strengthen fire safety management. In addition, the leased factory buildings and warehouses shall comply with the fire safety requirements, and the nature and functions of the use of the factory buildings and warehouses shall not be changed in violation of the provisions.

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 September 13, 1979, last 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 Council implemented the environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment.

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.

Hazardous Chemicals

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, where dangerous goods are to be manufactured, sold, transported, stored, used or to be disposed of or scrapped, business operators shall abide by relevant laws and regulations, as well as the national standards or industrial specifications, establish a special system for safety control, adopt reliable safety measures, and subject themselves to supervision and control by the competent departments in accordance with law. *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, has further 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.

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 *the Measures for Pollutant Discharge Permitting Administration* (《排污許可管理辦法》) promulgated on January 10, 2018, last amended on April 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 view, 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. 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.

Enterprises and other producers that are included in *the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources* (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without 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 in 2013, and *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 in 2015 with the most recent amendment becoming operative 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, or the 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 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 on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019 by the SCNPC, 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 on August 3, 2002, last amended on April 29, 2014 and implemented on May 1, 2014 by the State Council, 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 and sign the registration agreements. Upon completion of the domain name registration, the applicant will become the holder of such registered domain names.

REGULATIONS ON STOCK INCENTIVE PLANS

According to *the Notice of the SAFE on Issues Relating to the Foreign Exchange Administration for Domestic Individuals' Participating in Stock Incentive Plan of Overseas Listed Company* (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

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

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 Implementation Provisions of the EIT Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and last amended on December 6, 2024, 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稅暫行條例》), last amended and implemented by the State Council 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稅暫行條例實施細則》) 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、國家稅務總局關於調整增值稅稅率的通知》), 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* (《關於深化增值稅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.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to *the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**"), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

However, according to *the Notice of the STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the STA on February 20, 2009, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from the reduced income tax rate due to a structure or arrangement primarily driven by tax considerations, such PRC tax authorities may adjust the preferential tax treatment. *The Announcement of the STA on Issues "Beneficial Owner" in Tax Treaties* (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》), issued by the STA on February 3, 2018, and effective from April 1, 2018, outlines factors that support or hinder the determination of an applicant's status as a "beneficial owner." Applicants not recognized as beneficial owners will not qualify for the aforementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

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 Provisions 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 and Housing Provident Fund

Pursuant 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, *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, *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 and other applicable PRC laws and regulations relating to social insurance, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to housing provident funds, in full and in a timely manner. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and/or ordered to pay the deficit amount within a stipulated time limit.

The Interpretation (II) of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which came into force on September 1, 2025, provides that where the employer and the laborer agree, or the laborer promises the employer, that there is no need to pay social insurance premiums, the people's court shall determine that such agreement or promise is invalid. Where the employer fails to pay social insurance premiums in accordance with the law, and the laborer requests to terminate the labor contract and for the employer to pay economic compensation in accordance with the Labor Contract Law, the people's court shall support such claim in accordance with the law. Where the circumstances in the preceding paragraph exist, and the employer, after making up the social insurance premiums in accordance with the law, requests the laborer to return the social insurance compensation already paid, the people's court shall support such claim in accordance with the law.

As confirmed by the PRC Legal Advisors, during the Track Record Period, the Company made full contributions to social insurance and housing provident fund for its employees in accordance with the requirements of the Social Insurance Law of the PRC and the Regulations on the Administration of Housing Provident Fund. This judicial interpretation has no impact on the Group's compliance with social insurance and housing provident fund contribution requirements under relevant PRC laws and regulations.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

The CSRC promulgated the Overseas Listing Trial Measures and five related guidelines on February 17, 2023, which came into effect on March 31, 2023. The Overseas Listing Trial Measures introduce a new filing regime which requires PRC domestic companies to register their direct and indirect overseas listings and securities offerings with the CSRC by filing materials on key compliance issues. The Overseas Listing Trial Measures provide that overseas listing and offering are explicitly prohibited, if any of the following applies: (i) such securities offering and listing are explicitly prohibited by specific laws and regulations; (ii) the proposed securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council; (iii) the domestic company or its controlling shareholder(s) and the actual controller, have committed crimes including corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy in the past three years; (iv) the domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations which have not definitive conclusion; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. As advised by our PRC Advisor, we do not fall within any of the aforementioned situations which would prohibit us from listing overseas.

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

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC issued *the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies* (《H股公司境內未上市股份申請「全流通」業務指引》(the "**Guidelines for the 'Full Circulation'**"), which was amended on August 10, 2023.

According to the Guidelines for the "Full Circulation", 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 the said application for "full circulation". To file an application for "full circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company".

On December 31, 2019, the CSDC and the Shenzhen Stock Exchange jointly issued *the Measures for Implementation of H-share "Full Circulation" Business* (《H股「全流通」業務實施細則》) (the "**Measures for Implementation**"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation.

According to the Overseas Listing Trial Measures, the H-shares "full circulation" should comply with the relevant regulations of the CSRC, and the domestic company should be entrusted to file with the CSRC.

SANCTIONS LAWS AND REGULATIONS

United States

The Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g. funds transfers in U.S. currency even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("**green card**" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, the Crimea region of Russia/Ukraine, and the self-proclaimed Luhansk People's Republic (LPR) and Donetsk People's Republic (DPR) regions (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees. United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person and not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Persons.

United Kingdom and United Kingdom Overseas Territories

As of January 1, 2021, the United Kingdom is no longer an EU member state. EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime-by-regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

U.S. EXPORT CONTROLS

The United States has implemented and has proposed additional restrictions, some of which may impact Chinese companies, including us. The United States has increased export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the "**BIS**"), which includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the "**Entity List**"). 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.

In addition, EAR also maintains a list of items, software, and technology that are subject to export controls (the "**Commerce Control List**"). The Commerce Control List is primarily based on multilateral export control lists, such as the Wassenaar Arrangement's List of Dual-Use Goods and Technologies and Munitions List, BIS can also implement unilateral licensing requirements and other controls on items subject to U.S. export controls jurisdiction that can restrict exports and reexports to certain countries, as well as transfers within a country to a different end-user or end-use. The Commerce Control List is divided into ten categories, represented by the first digit of the Export Control Classification Number ("**ECCN**").

OVERVIEW

Our Company was founded by Mr. Li and Mr. Au Yeung and was established in the PRC on January 7, 2009, and was subsequently converted into a joint stock company with limited liability on November 8, 2022. Since our establishment, we have principally engaged in research and development and manufacture of various types of SiC epitaxial wafers.

We are an SiC epitaxial wafer manufacturer focusing primarily on self-manufactured SiC epitaxial wafers. We are the third largest China-based SiC epitaxial wafer manufacturer in terms of both revenue and sales volume generated from self-manufactured SiC epitaxial wafers from the global market in 2024, with a market share of 6.7% in terms of revenue and 7.8% in terms of sales volume. We are also the largest manufacturer of self-manufactured SiC epitaxial wafers in terms of both revenue and sales volume in the PRC market in 2024, with market share of 30.6% and 32.5%, respectively. For further details of our principal business and the background and industry experience of Mr. Li and Mr. Au Yeung, please refer to "Business" and "Directors, Supervisors and Senior Management — Directors", respectively, in this prospectus.

OUR KEY MILESTONES

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

Year	Milestone
2009	Our Company was established in Dongguan, Guangdong Province, the PRC, as the first silicon carbide epitaxial enterprise in the PRC, filling a gap in the domestic industrial chain
2012	We successfully completed the research and development of N-type epitaxial wafers
2013	We successfully completed the research and development of P-type epitaxial wafers
2014	We commenced mass production of 4-inch SiC epitaxial wafers
	Our Company was recognized as a National High-Tech Enterprise (國家級高新技術企業)
2016	Our Company was the first domestic SiC epitaxial materials manufacturer to obtain certification under the Automotive Quality Management System (IATF 16949: 2016)

Year	Milestone
2018	We commenced mass production of 6-inch SiC epitaxial wafers
	Our Company obtained certification for the Intellectual Property Management System (GB/T29490–2013)
2019	Guangdong Province Science and Technology Department (廣東省科學技術廳) designated our Company as the Guangdong Province Third-Generation Semiconductor SiC Epitaxial Material Engineering Technology Research Center (廣東省第三代半導體SiC外延材料工程技術研究中心)
2020	Our Company was awarded the title of "Guangdong Province Engineering Research Center for Third-Generation Semiconductor SiC Epitaxial Materials"* (廣東省工程研究中心 — 第三代半導體SiC外延材料) by the Guangdong Province Development and Reform Commission (廣東省發展和改革委員會)
	Our Company was recognized as one of the "Dongguan Top 100 Innovative Enterprises"* (東莞市百強創新型企業)
2021	Our Company was approved as a "Guangdong Province Postdoctoral Innovation Practice Base"* (廣東省博士後創新實踐基地) and a "Guangdong Postdoctoral Workstation"* (廣東省博士工作站) by the Guangdong Province Department of Human Resources and Social Security (廣東省人力資源和社會保障廳)
2022	We successfully completed the research and development of the 8-inch epitaxial wafers
	Our maximum available production capacity for SiC epitaxial wafers has reached over 50,000 pieces
	Our Company was recognized as one of the "Dongguan's Pilot Enterprises of the Doubling Programme"* (東莞市「倍增計劃」試點企業)
	Our Company was recognized as one of the "15th Batch of Dongguan's Reserve Enterprises to be Listed"* (東莞市第十五批上市後備企業)

Year	Milestone
	We were award the "Second Prize of Science and Technology Advancement Award, Guangdong Province Science and Technology Award"* (廣東省科學技術獎科技進步獎二等獎) from the People's Government of Guangdong Province.
2023	We commenced trial production of 8-inch SiC epitaxial wafers
	Our maximum available production capacity for SiC epitaxial wafers has reached over 170,000 pieces
	We began supplying automotive grade materials to leading new energy vehicle companies in the PRC and entered into strategic cooperation with a well-known overseas customer for automotive grade materials
	We led the completion and publication of the "Collection of metallographs on defects in SiC Crystal Materials" (碳化硅晶體材料缺陷圖譜), the first national standard in the field of SiC semiconductor spectroscopy
	Our Company was recognized as one of the National Essential "Little Giant" Enterprise (國家重點「小巨人」)
	Our Company was recognized as one of the "Manufacturing Individual Champion Enterprises in Dongguan"* (東莞市製造業單項冠軍企業)
2024	We commenced mass production of 8-inch SiC epitaxial wafers
	We entered into strategic cooperation with a leading overseas integrated device manufacturer (IDM) automotive customer for 8-inch SiC epitaxial wafers

CORPORATE DEVELOPMENT

Our Company

Establishment and early developments of our Company

Our Company was founded by Mr. Li and Mr. Au Yeung and was established in the PRC on January 7, 2009 with an initial registered capital of RMB10 million, which was held by Mr. Li and Mr. Au Yeung as to 42.86% and 57.14%, respectively. Mr. Li and Mr. Au Yeung first became acquainted in the late-1990s through business contacts. Mr. Li and Mr. Au Yeung later collaborated in operating an audio and video disc manufacturing business in the 2000s. As demand for audio and video discs later began to decline, both Mr. Li and Mr. Au Yeung sought new opportunities aligned with their technical proficiency. Recognizing the growing market potential for semiconductors, they decided to tap into the field of SiC epitaxial wafer and co-founded the Company. Since the establishment of our Company, we have principally engaged in research and development and manufacture of various types of SiC epitaxial wafers. Mr. Li has been mainly responsible for the executive functions and day-to-day operations of our Group since the establishment of our Company, while Mr. Au Yeung has been mainly responsible for providing strategic advice on the development of our Group.

On November 24, 2011, the registered capital of our Company was increased from RMB10 million to RMB30 million. The newly increased registered capital was subscribed by Mr. Li and Mr. Au Yeung in cash and in proportion to their shareholding.

Pursuant to equity transfer agreements dated September 28, 2019, Mr. Au Yeung transferred 13.14% (equivalent to approximately RMB3,942,000 of the registered capital of our Company), 11.43% (equivalent to approximately RMB3,429,000 of the registered capital of our Company) and 5.17% (equivalent to approximately RMB1,713,000 of the registered capital of our Company) to Lee Yuk Ming (李玉明) ("**Mr. Lee Yuk Ming**"), Zhuang Shuguang (莊樹廣) ("**Mr. Zhuang**") and Yuan Yi (袁毅) ("**Mr. Yuan**") at the consideration of RMB3,942,000, RMB3,429,000 and RMB1,713,000, respectively, which were determined with reference to the paid-up registered capital of our Company. Mr. Lee Yuk Ming is our former Director, whereas each of Mr. Zhuang and Mr. Yuan is our Supervisor. Mr. Lee Yuk Ming is an entrepreneur and has over 30 years of experience in business management. He has operated businesses in various industries, including real estate, construction, and paper production. Mr. Lee Yuk Ming first became acquainted with Mr. Au Yeung through business dealings, and later became acquainted with Mr. Li through introduction by Mr. Au Yeung. Recognizing the growth potential of the semiconductor industry, Mr. Lee Yuk Ming decided to join our Company as a Director and an investor upon the invitation of Mr. Li and Mr. Au Yeung. During his tenure as a Director, he was mainly responsible for providing strategic advice on the development of our Group and was not involved in the day-to-day operation of the Group. Having reached retirement age, Mr. Lee Yuk Ming resigned as a Director in December 2022, and ceased to be involved in the Group's business. Upon the completion of the said equity transfers, our

Company was owned by Mr. Li as to approximately 42.86%, Mr. Au Yeung as to 26.86%, Mr. Lee Yuk Ming as to 13.14%, Mr. Zhuang as to 11.43% and Mr. Yuan as to 5.71%. The consideration was fully settled on November 7, 2019.

On December 18, 2019, the registered capital of our Company was increased from RMB30 million to RMB76.73 million. The newly increased registered capital was subscribed and has been fully settled by the then existing Shareholders, namely, Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang and Mr. Yuan, in proportion to their shareholding, by way of capitalization of their respectively loans to our Company in the appraised values of approximately RMB90.43 million, RMB55.53 million, RMB29.93 million, RMB23.87 million and RMB11.94 million, respectively, with the excess amount of RMB159,816,600 credited to the capital reserve of our Company. Set out below is the shareholding structure of our Company immediately after completion of the aforesaid capital increase:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Approximate corresponding equity interest in our Company** *(%)*
Mr. Li	32,886,478	42.86
Mr. Au Yeung	20,609,678	26.86
Mr. Lee Yuk Ming	10,082,322	13.14
Mr. Zhuang	8,770,239	11.43
Mr. Yuan	4,381,283	5.71
	76,730,000	**100.0000**

On November 24, 2020, the registered capital of our Company was increased from RMB76,730,000 to RMB90,270,589. The newly increased registered capital was subscribed and has been fully settled by Dinghong Investment, Runsheng Investment and Wanghe Investment as to RMB6,318,941, RMB3,610,824 and RMB3,610,824 of the newly increased registered capital at the subscription price of approximately RMB4.42 per registered capital, which was determined after arm's length negotiations with reference to the capitalization cost per increased registered capital of the last capital increase on December 18, 2019. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is one of our ESOP Platforms. See "— Our ESOP Platforms" in this section for further details.

Pre-IPO Investments

As of the Latest Practicable Date, we have conducted seven rounds of Pre-IPO Investments. See "— Pre-IPO Investments" in this section for further details of the Pre-IPO Investments.

The following table sets out the shareholding structure of our Company immediately after the aforementioned capital increase in November 2020 but prior to the Pre-IPO Investments:

Shareholders	Registered capital subscribed for *(RMB)*	Approximate corresponding equity interest in our Company *(%)*
Mr. Li	32,886,478	36.4310
Mr. Au Yeung	20,609,678	22.8310
Mr. Lee Yuk Ming	10,082,322	11.1690
Mr. Zhuang	8,770,239	9.7155
Dinghong Investment	6,318,941	7.0000
Mr. Yuan	4,381,283	4.8535
Runsheng Investment	3,610,824	4.0000
Wanghe Investment	3,610,824	4.0000
	90,270,589	**100.0000**

(1) Capital Increase in July 2021

Pursuant to the shareholders' resolution of our Company dated June 5, 2021, our registered capital was increased from RMB90,270,589 to RMB97,704,638, and Shenzhen Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)) ("**Habo Technology**") agreed to subscribe for the additional registered capital of RMB7,434,049 (representing approximately 7.61% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB70 million (the "**July 2021 Capital Increase**"). The aforementioned capital increase was completed on July 1, 2021.

Habo Technology is a Pre-IPO Investor. See "— Pre-IPO Investments" in this section for further details.

(2) Equity transfer in June 2022

Pursuant to the shareholder's capital contribution transfer agreement (股東轉讓出資協議) dated January 23, 2022, Wanghe Investment transferred its 1% equity interest in our Company (equivalent to RMB977,046 of our registered capital) to BYD Company Limited (比亞迪股份有限公司) ("**BYD**") at a total consideration of RMB25 million (the "**BYD Equity Transfer**"). The cost per registered capital of the BYD Equity Transfer was RMB25.59, which was determined based on arm's length negotiations taking into consideration the timing of the investments and the status of our business. The aforementioned equity transfer was completed on June 13, 2022 with the consideration fully settled on March 9, 2022.

BYD is a Pre-IPO Investor. See "— Pre-IPO Investments" in this section for further details.

(3) Capital Increase on June 13, 2022

Pursuant to the shareholders' resolution of our Company dated January 22, 2022, our registered capital was increased from RMB97,704,638 to RMB100,221,273, and the relevant subscribers agreed to subscribe for the additional registered capital of RMB2,516,635 in aggregate (representing approximately an aggregate of 2.51% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB85 million (the "**June 13, 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
BYD	725,383	24,500,000	0.7238
Qingdao Shangqi Huizhu Zhanxin Industry Investment Fund Partnership (Limited Partnership)* (青島尚頎匯鑄戰新產業投資基金合夥企業(有限合夥)) ("**Shangqi Huizhu**")	1,734,998	58,600,000	1.7312
Jiaxing Qiying Venture Capital Partnership (Limited Partnership)* (嘉興頎盈創業投資合夥企業(有限合夥)) ("**Jiaxing Qiying**")	41,450	1,400,000	0.0414
Jiaxing Chuangqi Kaiying Venture Capital Partnership (Limited Partnership)* (嘉興市創啟開盈創業投資合夥企業(有限合夥)) ("**Chuangqi Kaiying**")	14,804	500,000	0.0148

The aforementioned capital increase was completed on June 13, 2022. Each of the above subscribers is a Pre-IPO Investor. See "— Pre-IPO Investments" in this section for further details.

(4) Capital Increase on June 27, 2022

Pursuant to the shareholders' resolution of our Company dated March 19, 2022, our registered capital was increased from RMB100,221,273 to RMB103,227,911, and the relevant subscribers agreed to subscribe for the additional registered capital of RMB3,006,638 in aggregate (representing approximately an aggregate of 3% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB150 million (the "**June 27, 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
Yibin Chendao New Energy Industry Equity Investment Partnership (Limited Partnership)* (宜賓晨道新能源產業股權投資合夥企業(有限合夥)) ("**Yibin Chendao**")	901,991	45,000,000	0.8738
Jiaxing Haiyu Venture Capital Partnership (Limited Partnership)* (嘉興海鈺創業投資合夥企業(有限合夥)) ("**Jiaxing Haiyu**")	1,002,213	50,000,000	0.9709
Jiaxing Chengyi Xinrui Equity Investment Partnership (Limited Partnership)* (嘉興誠毅欣鋭股權投資合夥企業(有限合夥)) ("**Chengyi Xinrui**")	400,885	20,000,000	0.3883
Dongguan Dazhong Industrial Co., Ltd.* (東莞市大中實業有限公司) ("**Dazhong Industrial**")	601,328	30,000,000	0.5825
Ningbo Meishan Bonded Port Area Chaoxing Venture Capital Partnership (Limited Partnership)* (寧波梅山保稅港區超興創業投資合夥企業(有限合夥)) ("**Chaoxing Capital**")	100,221	5,000,000	0.0971

The aforementioned capital increase was completed on June 27, 2022. Each of the above subscribers is a Pre-IPO Investor. See "— Pre-IPO Investments" in this section for further details.

(5) Capital Increase in August 2022

Pursuant to the shareholders' resolution of our Company dated August 18, 2022, our registered capital was increased from RMB103,227,911 to RMB108,974,268, and the relevant subscribers agreed to subscribe for the additional registered capital of RMB5,746,357 in aggregate (representing approximately an aggregate of approximately 5.57% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB668 million (the "**August 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
Jinggangshan Fupu New Century Equity Investment Partnership (Limited Partnership)* (井岡山複樸新世紀股權投資合夥企業(有限合夥)) ("**Fupu Investment**")	860,233	100,000,000	0.7894
Zhuhai Hengqin Yongyue Chengzhang No. 3 Equity Investment Partnership (Limited Partnership)* (珠海橫琴踴躍成長三號創業投資合夥企業(有限合夥)) ("**Yongyue Chengzhang**")	430,116	50,000,000	0.3947
Guangdong Liwan Equity Investment Partnership (Limited Partnership)* (廣東立灣股權投資合夥企業(有限合夥)) ("**Liwan Investment**")	258,070	30,000,000	0.2368
Dazhong Industrial	1,720,466	200,000,000	1.5788

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
Guangzhou Zhongguangyuan Shangkechuang Phase II Venture Capital Partnership (Limited Partnership)* (廣州中廣源商科創二期創業投資合夥企業(有限合夥)) ("**Zhongguangyuan**")	172,047	20,000,000	0.1579
Dongguan Liwan Youxuan No. 7 Venture Capital Partnership (Limited Partnership)* (東莞立灣優選七號創業投資合夥企業(有限合夥)) ("**Liwan Youxuan**")	154,842	18,000,000	0.1421
Shenzhen Chunyang Jiutai Venture Capital Partnership (Limited Partnership)* (深圳春陽久泰創業投資合夥企業(有限合夥)) ("**Chunyang Jiutai**")	258,070	30,000,000	0.2368
Shanghai Qingyi Xinyang Venture Capital Partnership (Limited Partnership)* (上海氫毅昕陽創業投資合夥企業(有限合夥)) ("**Qingyi Xinyang**")	258,070	30,000,000	0.2368
China-Belgium Direct Equity Investment Fund (中國 — 比利時直接股權投資基金) ("**China-Belgium Fund**")	516,140	60,000,000	0.4736

Subscribers	Registered capital subscribed for *(RMB)*	Consideration *(RMB)*	Approximate corresponding equity interest in our Company (upon completion of the capital increase) *(%)*
Jinyun Tianyu Equity Investment Partnership (Limited Partnership)* (縉雲天域股權投資合夥企業（有限合夥）) (“**Jinyun Tianyu**”)	645,175	75,000,000	0.5920
Dongguan Yueke Xintai Industrial Control Venture Capital Partnership (Limited Partnership)* (東莞粵科鑫泰工控創業投資合夥企業(有限合夥)) (“**Yueke Xintai**”)	473,128	55,000,000	0.4342

The aforementioned capital increase was completed on August 31, 2022. Each of the above subscribers is a Pre-IPO Investor. See “— Pre-IPO Investments” in this section for further details.

(6) Capital Increase in December 2022

Subsequent to the joint stock reform of our Company (see "— Corporate Development — Our Company — Joint stock reform in November 2022" below for further details), pursuant to the shareholders' resolution of our Company dated November 23, 2022, our registered capital was increased from RMB108,974,268 to RMB113,198,011, and the relevant subscribers agreed to subscribe for a total number of 4,223,743 Shares (representing approximately an aggregate of approximately 3.73% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB491 million (the "**December 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Number of Shares subscribed for**	**Consideration**	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)**
		(RMB)	*(%)*
Gongqingcheng Guanshun Equity Investment Partnership (Limited Partnership)* (共青城莞順股權投資合夥企業(有限合夥)) ("**Guanshun Investment**"))	1,806,488	210,000,000	1.5959
Gongqingcheng Guanling Equity Investment Partnership (Limited Partnership)* (共青城莞領股權投資合夥企業(有限合夥)) ("**Guanling Investment**")	860,233	100,000,000	0.7599
Zhongshan Lianxin Equity Investment Partnership (Limited Partnership)* (中山市聯芯股權投資合夥企業(有限合夥)) ("**Zhongshan Lianxin**")	258,070	30,000,000	0.2280
Nantong Zhaoshang Jianghai Industrial Development Fund Partnership (Limited Partnership)* (南通招商江海產業發展基金合夥企業(有限合夥)) ("**Zhaoshang Jianghai**")	258,070	30,000,000	0.2280

Subscribers	Number of Shares subscribed for	Consideration *(RMB)*	Approximate corresponding equity interest in our Company (upon completion of the capital increase) *(%)*
Nantong Zhaohua Zhaozheng Equity Investment Partnership (Limited Partnership)* (南通招華招證股權投資合夥企業(有限合夥)) ("**Zhaohua Zhaozheng**")	258,070	30,000,000	0.2280
Hangzhou Huanyu Equity Investment Partnership (Limited Partnership)* (杭州寰域股權投資合夥企業(有限合夥)) ("**Huanyu Investment**")	215,058	25,000,000	0.1900
Dongguan Liwan Beizeng No. 1 Venture Capital Partnership (Limited Partnership)* (東莞立灣倍增一號創業投資合夥企業(有限合夥)) ("**Liwan Beizeng**")	180,649	21,000,000	0.1596
Suzhou Liderang Investment Partnership (Limited Partnership)* (蘇州立德讓投資合夥企業(有限合夥)) ("**Liderang**")	172,047	20,000,000	0.1520
Gongqingcheng Huatuo Hefu No. 5 Investment Partnership (Limited Partnership)* (共青城華拓合富伍號投資合夥企業(有限合夥)) ("**Huatuo Hefu**")	129,035	15,000,000	0.1140
Guangdong Bozhong Innovation and Entrepreneurship Investment Partnership (Limited Partnership)* (廣東博中創新創業投資合夥企業(有限合夥)) ("**Bozhong Innovation**")	86,023	10,000,000	0.0760

The aforementioned capital increase was completed on December 12, 2022. Each of the above subscribers is a Pre-IPO Investor. See "— Pre-IPO Investments" in this section for further details.

(7) Equity transfers in November 2024

Pursuant to the share transfer agreement (股份轉讓協議) dated November 27, 2024 entered into between Zhaoshang Jianghai, Zhaohua Zhaozheng and Dongguan Runfu Investment Consulting Centre (Limited Partnership)* (東莞市潤福投資諮詢中心(有限合夥)) ("**Runfu Investment**"), (a) Zhaoshang Jianghai transferred 0.2280% of its equity interest in our Company (equivalent to 828,091 of Shares) to Runfu Investment at a consideration of RMB34.75 million; and (b) Zhaohua Zhaozheng transferred 0.2280% of its equity interest in our Company (equivalent to 828,091 of Shares) to Runfu Investment at a consideration of RMB34.75 million (collectively, the "**November 2024 Equity Transfers**"). The consideration of the November 2024 Equity Transfers was determined among the parties after arm's length negotiations based on a pre-determined calculation method as set out in the relevant share subscription agreement in connection with the vendors' original investment in the Company. The aforementioned equity transfers were completed with the consideration fully settled on November 28, 2024.

Runfu Investment is a Pre-IPO Investor. See "— Pre-IPO Investments" in this section for further details.

Joint stock reform in November 2022

Pursuant to the shareholders' resolution and the promoters' agreement dated October 11, 2022, the then existing Shareholders agreed to convert our Company into a joint stock company with limited liability with a share capital of RMB108,974,268. In furtherance of the above, the total net assets of our Company as of August 31, 2022 were converted into 108,974,268 Shares with par value of RMB1 each, and issued to the then existing Shareholders in proportion to their capital contribution to our Company, with the excess of net assets converted over nominal value of the ordinary shares was credited to the capital reserve of the Company.

Upon completion of the registration with the Dongguan Municipal Administration for Market Regulation (東莞市市場監督管理局) on November 8, 2022, our Company was renamed from Dongguan Tianyu Semiconductor Technology Co., Ltd.* (東莞市天域半導體科技有限公司) to Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司). The then shareholders and their respective equity interest in our Company remained unchanged immediately before and after the conversion of our Company into a joint stock company with limited liability.

The following table sets out the shareholding structure of our Company immediately after completion of the joint stock reform:

Shareholders	Shares	Approximately percentage of shareholding (%)
The group of Controlling Shareholders *(Note 1)*	**66,059,699**	**60.6196**
Mr. Li	32,886,478	30.1782
Mr. Au Yeung	20,609,678	18.9124
Dinghong Investment	6,318,941	5.7986
Runsheng Investment	3,610,824	3.3135
Wanghe Investment	2,633,778	2.4169
Mr. Lee Yuk Ming	10,082,322	9.2520
Mr. Zhuang	8,770,239	8.0480
Mr. Yuan	4,381,283	4.0205
Pre-IPO Investor from the July 2021 Capital Increase		
— Habo Technology	7,434,049	6.8218
Pre-IPO Investors from the BYD Transfer and the June 13, 2022 Capital Increase		
— Shangqi Huizhu	1,734,998	1.5921
— BYD	1,702,429	1.5622
— Jiaxing Qiying	41,450	0.0380
— Chuangqi Kaiying	14,804	0.0136
Pre-IPO Investors from the June 27, 2022 Capital Increase		
— Dazhong Industrial *(Note 2)*	2,321,794	2.1306
— Jiaxing Haiyu	1,002,213	0.9197
— Yibin Chendao	901,991	0.8277
— Chengyi Xinrui	400,885	0.3679
— Chaoxing Capital	100,221	0.0920

Shareholders	Shares	Approximately percentage of shareholding (%)
Pre-IPO Investors from the August 2022 Capital Increase		
— Fupu Investment	860,233	0.7894
— Jinyun Tianyu	645,175	0.5921
— China-Belgium Fund	516,140	0.4736
— Yueke Xintai	473,128	0.4342
— Yongyue Chengzhang	430,116	0.3947
— Chunyang Jiutai	258,070	0.2368
— Liwan Investment	258,070	0.2368
— Qingyi Xinyang	258,070	0.2368
— Zhongguangyuan	172,047	0.1578
— Liwan Youxuan	154,842	0.1421
Total	**108,974,268**	**100.0000**

Notes:

(1) Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung are parties acting-in-concert. As Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are entities controlled by Mr. Li, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders. For details, please see "— Corporate Development — Our Company — Concert Party Arrangement" in this section and "Relationship with our Controlling Shareholders" in this prospectus.

(2) Dazhong Industrial subscribed further equity interest from the August 2022 Capital Increase. See "— Corporate Development — Our Company — Pre-IPO Investments — (5) Capital Increase in August 2022" in this section for further details.

Capitalization of capital reserve in December 2022

Subsequent to the December 2022 Capital Increase (see "— Corporate Development — Our Company — Pre-IPO Investments — (6) Capital Increase in December 2022" above for further details), on December 27, 2022, the then Shareholders passed a resolution and approved the capitalization of the capital reserve of our Company by way of applying a total of RMB250,000,000 of our capital reserve to the then existing Shareholders on a pro rata basis, upon the completion of registration of which the total share capital of our Company increased from RMB113,198,011 to RMB363,198,011 (the "**December 2022 Capitalization**").

Upon completion of the December 2022 Capitalization and the November 2024 Equity Transfers, our Company's shareholding structure was as follows up to the Latest Practicable Date:

Shareholders	**Shares**	**Approximately percentage of shareholding** *(%)*
The group of Controlling Shareholders *(Note 1)*	**211,953,645**	**58.3576**
Mr. Li	105,517,013	29.0522
Mr. Au Yeung	66,126,373	18.2067
Dinghong Investment	20,274,440	5.5822
Runsheng Investment	11,585,291	3.1898
Wanghe Investment	8,450,528	2.3267
Mr. Lee Yuk Ming	32,349,321	8.9068
Mr. Zhuang	28,139,493	7.7477
Mr. Yuan	14,057,580	3.8705
Pre-IPO Investor from the July 2021 Capital Increase		
— Habo Technology	23,852,303	6.5673
Pre-IPO Investors from the BYD Transfer and the June 13, 2022 Capital Increase		
— Shangqi Huizhu	5,566,736	1.5327
— BYD	5,462,135	1.5039
— Jiaxing Qiying	132,930	0.0366
— Chuangqi Kaiying	47,578	0.0131
Pre-IPO Investors from the June 27, 2022 Capital Increase		
— Dazhong Industrial *(Note 2)*	7,449,191	2.0510
— Jiaxing Haiyu	3,215,755	0.8854
— Yibin Chendao	2,893,962	0.7968
— Chengyi Xinrui	1,286,084	0.3541
— Chaoxing Capital	321,430	0.0885
Pre-IPO Investors from the August 2022 Capital Increase		
— Fupu Investment	2,759,942	0.7599
— Jinyun Tianyu	2,070,229	0.5700
— China-Belgium Fund	1,656,183	0.4560
— Yueke Xintai	1,518,167	0.4180
— Yongyue Chengzhang	1,380,152	0.3800
— Chunyang Jiutai	828,091	0.2280
— Liwan Investment	828,091	0.2280
— Qingyi Xinyang	828,091	0.2280
— Zhongguangyuan	552,061	0.1520
— Liwan Youxuan	496,855	0.1368

Shareholders	Shares	Approximately percentage of shareholding (%)
Pre-IPO Investors from the December 2022 Capital Increase *(Note 3)*		
— Guanshun Investment	5,795,914	1.5958
— Guanling Investment	2,759,942	0.7599
— Zhongshan Lianxin	828,091	0.2280
— Huanyu Investment	690,076	0.1900
— Liwan Beizeng	579,664	0.1596
— Liderang	552,061	0.1520
— Huatuo Hefu	414,046	0.1140
— Bozhong Innovation	276,030	0.0760
Pre-IPO Investor from the November 2024 Equity Transfers		
Runfu Investment	1,656,182	0.4560
Total	**363,198,011**	**100.0000**

Notes:

(1) Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung are parties acting-in-concert. As Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are entities controlled by Mr. Li, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders. For details, please see "— Corporate Development — Our Company — Concert Party Arrangement" in this section and "Relationship with our Controlling Shareholders" in this prospectus.

(2) Dazhong Industrial subscribed further equity interest from the August 2022 Capital Increase. See "— Corporate Development — Our Company — Pre-IPO Investments — (5) Capital Increase in August 2022" in this section for further details.

(3) Zhangshang Jianghai and Zhaohua Zhaozheng ceased to be a Shareholder upon the completion of the November 2024 Equity Transfers. For details, please refer to "— Corporate Development — Pre-IPO Investments — (7) Equity transfers in November 2024" in this section.

Concert Party Arrangement

Following the completion of several rounds of Pre-IPO Investments in 2021 and 2022, and taking into account the necessity of maintaining the effective and stable operation of the Group and ensuring the consistency of the Group's decision-making process, Mr. Li and Mr. Au Yeung decided to formalize their acting in concert relationship. This decision was founded upon the mutual trust and confidence developed over their long-term collaboration since the Company's inception. Mr. Li and Mr. Au Yeung consider that a formalized arrangement will be conducive to the future development and strategic implementation of the Group.

On June 4, 2023, Mr. Li and Mr. Au Yeung entered into an Acting-in-concert Agreement, pursuant to which, subject to applicable laws and regulations, the Articles of Association and without prejudice to interests of our Company, Shareholders and creditors of our Company and except for the situations where they shall abstain from voting in relevant connected transactions, Mr. Li and Mr. Au Yeung acknowledged and confirmed, among others, to act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li. Mr. Li and Mr. Au Yeung further confirmed in writing in November 2024 that, the Acting-in-concert Agreement is to formalize the acting-in-concert arrangement between the parties since November 2022, subsequent to the joint stock reform of the Company. This confirmation reflects that the arrangement effectively began with the joint stock reform. Having considered that joint stock companies are subject to a mandatory "one share, one vote" structure as compared to a more flexible voting rules of limited liability companies under applicable PRC laws, and combined with shareholder dilution from prior rounds of Pre-IPO Investments, made it essential for Mr. Li and Mr. Au Yeung to formally consolidate their voting power to preserve their long-standing collective control since the joint stock reform of the Company. The Acting-in-concert Agreement shall remain valid until 36 months after the Listing.

As of the Latest Practicable Date, by virtue of the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung were collectively entitled to exercise voting rights of approximately 58.36% of the voting rights in our Company, among which:

(a) Mr. Li was able to exercise approximately 40.15% of the voting rights in our Company through (a) his direct individual interest as to approximately 29.05%; (b) Dinghong Investment as to approximately 5.58%, (c) Runsheng Investment as to approximately 3.19%, and (d) Wanghe Investment as to approximately 2.33%. Dinghong Investment, Runsheng Investment and Wanghe Investment are our ESOP Platforms. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its executive partner and general partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su, the spouse of Mr. Li; and

(b) Mr. Au Yeung was able to exercise approximately 18.21% of the voting rights in our Company through his direct individual interest.

In light of the above, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Ms. Su, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders upon Listing. For details, please see "Relationship with our Controlling Shareholders" in this prospectus.

Our Subsidiaries

Set out below are the subsidiaries of our Company and their respective particulars as of the Latest Practicable Date:

Name of subsidiary	Place of establishment	Date of establishment	Registered capital/Issued share capital	Approximate shareholding by our Group	Principal business activities
Southern Semiconductor[1]	PRC	November 23, 2016	RMB92 million	59.29% by our Company	Inspection and sale of devices
Hengxin Research Institute[2]	PRC	October 5, 2019	RMB1 million	100% attributable interest by Southern Semiconductor	No substantive business activities
Runfu Technology	PRC	December 30, 2024	RMB50 million	100% by our Company	No substantive business activities
Runfu Hong Kong	Hong Kong	February 18, 2025	HK$10,000	100% by Runfu Technology	No substantive business activities
Tianma Technology KY	Cayman Islands	March 3, 2025	US$5,000	100% by Runfu Hong Kong	No substantive business activities
Tianma Technology SG	Singapore	March 19, 2025	100,000 Singapore dollars	100% by Tianma Technology KY	No substantive business activities
Tianyao Technology	Malaysia	April 16, 2025	1,000 Malaysian Ringgit	100% by Tianma Technology SG	No substantive business activities

Notes:

(1) Southern Semiconductor is owned as to approximately 59.29% by our Company, approximately 14.29% by Dongguan Songshanhu Holdings Co., Ltd.* (東莞市松山湖控股有限公司) ("**Songshanhu Holdings**"), approximately 11.10% by Dongguan Jiazhi Investment Service Center (Limited Partnership)* (東莞市佳智投資服務中心(有限合夥)) ("**Jiazhi Investment**"), approximately 10.00% by Dongguan Zhongjia Semiconductor Technology Co., Ltd.* (東莞市中鎵半導體科技有限公司) ("**Zhongjia Semiconductor**"), approximately 4.67% by East Group Co., Ltd.* (易事特集團股份有限公司) ("**East Group**"), and approximately 0.65% by Foshan Nanhai United Guangdong Xinguangyuan Industry Innovation Center* (佛山市南海區聯合廣東新光源產業創新中心) ("**Xinguangyuan Industry**").

The revenue contributed by Southern Semiconductor to the total revenue of our Group was approximately 5.78%, 0.78%, 1.28% and 1.64% for each of the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025.

Songshanhu Holdings is a company established in the PRC with limited liability, which is owned as to approximately 90.08% by Dongguan Songshanhu High-Tech Industrial Development Zone Management Committee* (東莞松山湖高新技術產業開發區管理委員會) and approximately 9.92% by Guangdong Department of Finance (廣東省財政廳).

Jiazhi Investment is a limited partnership established in the PRC, with Zhang Shengfa (張勝發) as the executive partner owning approximately 5.00% of the partnership interest, with other limited partners, namely, Chen Guangguo (陳廣國), Hong Jiefeng (洪潔峰) (a niece of Mr. Au Yeung), Xing Yanfei (邢燕飛), Xu Haibo (徐海波) (a director of Southern Semiconductor), Chen Yanwen (陳彥文) (a director of Southern Semiconductor) and Yang Zhichao (陽志超) (the board secretary of Southern Semiconductor), owning as to approximately 45.00%, 20.00, 13.00%, 10.00%, 10.00% and 2.00% of the partnership interest, respectively.

Zhongjia Semiconductor is a company established in the PRC with limited liability, which is ultimately controlled by Chen Jianmin (陳健民).

East Group is a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 300376), which is owned as to approximately 31.73% by Yangzhou Dongfang Group Co., Ltd.* (揚州東方集團有限公司), which is in turn controlled by He Simo (何思模).

Xinguangyuan Industry is a private non-enterprise entity (民辦非企業單位) established by Foshan Nanhai Science and Technology Bureau* (佛山市南海區科學技術局).

(2) Hengxin Research Institute is a private non-enterprise entity (民辦非企業單位) established by Southern Semiconductor.

As at the Latest Practicable Date, Hengxin Research Institute has no substantive business activities and has not contributed to the revenue of our Group.

DEREGISTRATION DURING TRACK RECORD PERIOD

Dongguan Southern Third-Generation Semiconductor Technology Joint Research Institute Co., Ltd.* (東莞南方第三代半導體技術聯合研究院有限公司) ("**Southern Semiconductor Research Institute**"), a limited liability company established in the PRC on October 19, 2017, was deregistered on July 27, 2022. Immediately before its deregistration, Southern Semiconductor Research Institute was wholly-owned by Southern Semiconductor, and had not commenced substantive business activities. To the best knowledge of our Directors, Southern Semiconductor Research Institute was solvent at the time of its deregistration.

To the best knowledge, information and belief of our Directors, since its establishment up to the date of deregistration, Southern Semiconductor Research Institute and its directors, shareholders or senior management, had not been the subject of any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened).

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, all the abovementioned establishment, transfer, capital increase and conversion of our Company are effective, legally binding, duly settled and in compliance with the PRC laws and regulations, and all permits, authorisations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

PRE-IPO INVESTMENTS

Overview

As of the Latest Practicable Date, we have conducted seven rounds of Pre-IPO Investments. The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

Pre-IPO Investment	July 2021 Capital Increase	BYD Equity Transfer	June 13, 2022 Capital Increase	June 27, 2022 Capital Increase	August 2022 Capital Increase	December 2022 Capital Increase	November 2024 Equity Transfers
Date of the first subscription agreement/ equity transfer agreement	May 28, 2021	January 23, 2022	January 23, 2022	March 19, 2022	August 18, 2022	November 23, 2022	November 27, 2024
Date of last payment of consideration	June 28, 2021	June 13, 2022	March 10, 2022	April 28, 2022	August 26, 2022	December 7, 2022	November 28, 2024
Total registered capital/ number of shares subscribed/transferred	RMB7,434,049	RMB977,046	RMB2,516,635	RMB3,006,638	RMB5,746,357	4,223,743 Shares	1,656,182 Shares
Cost per registered capital/ share paid to our Company/the transferor(1)	RMB2.93	RMB7.97	RMB10.53	RMB15.55	RMB36.23	RMB36.23	RMB41.96
Discount to the Offer Price(2)	94.9%	86.3%	81.8%	73.2%	37.5%	37.5%	27.7%
Total funds received by our Company	RMB70 million	N/A	RMB85 million	RMB150 million	RMB668 million	RMB491 million	N/A

Use of proceeds from the Pre-IPO Investments	As of the Latest Practicable Date, our Company has fully utilized the proceeds from the Pre-IPO Investments (save for the BYD Equity Transfer and November 2024 Equity Transfers). All of such proceeds were utilized for our general operation and business development.
Strategic benefits the Pre-IPO Investments brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital (save for the BYD Equity Transfer and November 2024 Equity Transfers) provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience. Furthermore, our Directors believe that the Pre-IPO Investments are demonstrations of confidence from the Pre-IPO Investors in our operation, which serves as endorsements of our performance and prospects.
Basis of determining the consideration paid	Except for the BYD Equity Transfer and November 2024 Equity Transfers, the consideration for the Pre-IPO Investments was determined based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration various factors including but not limited to, (i) status of business operations and prospects of our business; (ii) the timing of the investments; and (iii) the valuation of the then comparable companies. Please refer to "— Corporate Development — Our Company — Pre-IPO Investments — (2) Equity transfer in June 2022" and "— (7) Equity transfers in November 2024" in this section above for the basis of determination of consideration for the BYD Equity Transfer and November 2024 Equity Transfers, respectively.
Lock-up period	All existing Shareholders (including the Pre-IPO Investors) shall not dispose of any of the Shares held by them within the 12 months following the Listing Date as required under the applicable PRC laws.
Public float	As each of the Pre-IPO Investors would hold less than 10% of the total issued share capital of our Company immediately following the completion of the Global Offering and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by each of the Pre-IPO Investors which will be converted into H Shares upon the completion of the Global Offering will be part of the public float. See "— Public Float" in this section below for more details.

Notes:

(1) Calculation based on the number of Shares as adjusted after the December 2022 Capitalization.

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$58.00 per Offer Share.

Special rights of the Pre-IPO Investors

Pursuant to the subscription agreements and the shareholders' agreements entered into by and among the Company and the Pre-IPO Investors from time to time, certain of the Pre-IPO Investors were granted certain special rights in relation to the Company.

The share redemption rights granted by the Controlling Shareholders and the Company to certain of the Pre-IPO Investors under the relevant subscription agreements and/or shareholders' agreements have been terminated upon or before the first submission of the listing application (the "**First Filing**") to the Stock Exchange for the purpose of the Global Offering. Terminated share redemption rights granted by the Controlling Shareholders may be reinstated if the Listing does not take place or may not be reinstated, depending on the commercial negotiation outcomes between the Controlling Shareholders and the relevant Pre-IPO Investors. The Company is a party to the relevant agreements in relation to the grant of share redemption rights by the Controlling Shareholders. As confirmed by the Company: (i) the Company does not have any obligation to fulfil the special rights granted by the Controlling Shareholders, including the share redemption rights; (ii) save as disclosed in this sub-section "Special rights of the Pre-IPO Investors", there are no other side arrangements between the Company and the Pre-IPO Investors or between the Company and the Controlling Shareholders regarding share redemption rights; and (iii) the Company did not provide any guarantee on the share redemption rights as granted by the Controlling Shareholders in case of default by the Controlling Shareholders. As confirmed by the Controlling Shareholders, save as disclosed above, there are no other side arrangements between the Controlling Shareholders and the Pre-IPO Investors regarding share redemption rights. See "(c) Share capital" in Note 29 to the Accountants' Report in Appendix I to this prospectus for further details.

On the other hand, share redemption rights granted by the Company are terminated and could not be reinstated. In particular, the Company's redemption obligations in relation to the aforesaid share redemption rights granted by the Company were terminated pursuant to supplementary agreements dated January 31, 2022 (further details of which are disclosed in Note 24 to the Accountants' Report in Appendix I to this prospectus) and August 31, 2022, where such redemption obligations of the Company were terminated from January 31, 2022 and August 31, 2022, respectively, and cannot be reinstated. Accordingly, financial liability in relation to the aforesaid Company's redemption obligations was incurred during the year ended December 31, 2022, but since all the Company's redemption obligations were terminated by August 2022, there was no such financial liability of the Company recognised as of December 31, 2022, 2023, 2024 and May 31, 2025.

All other special rights under the Pre-IPO Investments, including, among others, rights of first refusal, co-sale rights, pre-emptive rights, information rights, dividend rights, liquidation preferences, together with, director appointment rights, were terminated with immediate effect pursuant to the relevant supplemental agreements entered into, among others, our Company and the relevant Pre-IPO Investors, or will cease to be effective upon Listing.

Compliance with the Guide

On the basis that (i) the consideration for the last Pre-IPO Investment was irrevocably settled on a date, which is more than 120 days before the Listing Date, and (ii) the special rights granted to the Pre-IPO Investors were terminated before the First Filing and/or shall cease to be effective upon Listing, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide.

Information relating to our Pre-IPO Investors

Set out below is a description of our Pre-IPO Investors. To the best knowledge of our Directors, save as disclosed in this Prospectus, each of our Pre-IPO Investors and their respective ultimate beneficial owners (as applicable), and each of the named individuals as disclosed in this sub-section below, is an Independent Third Party.

Pre-IPO Investor from the July 2021 Capital Increase

(a) Habo Technology

Habo Technology is a limited partnership established under the laws of the PRC and is principally engaged in venture capital investment. Habo Technology is managed by its general partner, Habo Technology Venture Capital Co., Ltd* (哈勃科技創業投資有限公司), which is wholly owned by Huawei Investment & Holding Co., Ltd (華為投資控股有限公司) ("**Huawei Investment**"). Huawei Investment is owned as to 99.48% by Huawei Investment & Holding Co., Ltd. Trade Union Committee* (華為投資控股有限公司工會委員會), a labour union which is owned by the employees collectively, and 0.52% by Ren Zhengfei (任正非).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Habo Technology had two limited partners, and is owned as to 69% and 30% by Huawei Technologies Co., Ltd (華為技術有限公司) and Huawei Device Co., Ltd (華為終端有限公司), respectively, both of which are ultimately controlled by Huawei Investment.

Pre-IPO Investors from the BYD Transfer and the June 13, 2022 Capital Increase

(b) Shangqi Huizhu and Jiaxing Qiying

Shangqi Huizhu is a limited partnership established under the laws of the PRC and is principally engaged in investment and asset management and private equity investment. Jiaxing Qiying (formerly known as Shanghai Shangqi Qiying Business Consulting Partnership (Limited Partnership)* (上海尚頎頎盈商務諮詢合夥企業(有限合夥)) is a limited partnership established under the laws of the PRC and is principally engaged in private equity investment.

Each of Shangqi Huizhu and Jiaxing Qiying is managed by its general partner, Shanghai Shangqi Investment Management Partnership (Limited Partnership)* (上海尚頎投資管理合夥企業(有限合夥)), whose general partner is Shanghai Qiyuan Business Consulting Co., Ltd* (上海頎元商務諮詢有限公司), which is owned as to 80%, 10% and 10% by Feng Ji (馮戟), Zhu Kaiyi (朱愷怡) and Jiang Jinqian (江金乾), respectively.

Shanghai Shangqi Investment Management Partnership (Limited Partnership)* (上海尚頎投資管理合夥企業(有限合夥)) has three limited partners, and is owned as to approximately 40% by Jiaxing Qihe Enterprise Management Partnership (Limited Partnership)* (嘉興頎合企業管理合夥企業(有限合夥)) (which is ultimately controlled by Feng Ji (馮戟)) and 40% by SAIC Motor Financial Holdings Co., Ltd. (上海汽車集團金控管理有限公司) (which is ultimately controlled by SAIC Motor Corporation Ltd. (上海汽車集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600104)) as the only limited partner with 30% or more partnership interests therein.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Shangqi Huizhu had 11 limited partners, none of which held 30% or more partnership interests in Shangqi Huizhu. One of the limited partners, Jiaxing Qiying, a Pre-IPO Investor, owned as to approximately 0.49% of the partnership interests in Shangqi Huizhu.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Jiaxing Qiying had 12 limited partners, none of which held 30% or more partnership interests in Jiaxing Qiying.

(c) BYD

BYD is joint stock company established in the PRC with limited liability, the shares of which are dually listed on the Shenzhen Stock Exchange (stock code: 002594) and the Stock Exchange (stock code: 1211 (HKD counter); 81211 (RMB counter)), and is principally engaged in automobile business which mainly includes new energy vehicles, handset components and assembly services, rechargeable batteries and photovoltaics business.

(d) Chuangqi Kaiying

Chuangqi Kaiying is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Chuangqi Kaiying is managed by its general partner, Jiaxing Chuangqi Kaiying Enterprise Management Co., Ltd* (嘉興市創啟開盈企業管理有限公司), which is owned as to 50% and 50% by Li Min (李敏) and Li Lu (李路), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Chuangqi Kaiying had ten limited partners, none of which held 30% or more partnership interests in Chuangqi Kaiying.

To the best knowledge and information of our Directors, Chuangqi Kaiying is an employee co-investment platform (員工跟投平台) of BYD's employees.

Pre-IPO Investors from the June 27, 2022 Capital Increase

(e) Dazhong Industrial

Dazhong Industrial is a limited liability company established under the laws of the PRC and is primarily engaged in manufacturing and sales furniture. To the best knowledge and information of our Directors, as of the Latest Practicable Date, Dazhong Industrial is owned as to 75% and 25% by Wang Wencheng (王文城) and Wang Chaomei (王肖梅), respectively.

To the best knowledge of our Directors, as of the Latest Practicable Date, Dazhong Industrial is a limited partner of Guanling Investment, a Pre-IPO Investor, and owned as to 23.70% of the its partnership interests.

(f) Jiaxing Haiyu

Jiaxing Haiyu is a limited partnership established under the laws of the PRC and is principally engaged in venture capital investment. Jiaxing Haiyu is managed by its general partner, Suzhou Jiansheng Investment Management Partnership (Limited Partnership)* (蘇州建晟投資管理合夥企業(有限合夥)), which is owned as to 71.4% by its general partner, Suzhou Hailianxing Investment Management Partnership (Limited Partnership)* (蘇州海鏈星投資管理合夥企業(有限合夥)) (which is owned as to 60% by Zhengyuan Cai as the largest and the only limited partner with 30% of more partnership interest, and 30% by Xiang Xiaobo (項曉波) as general partner).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Jiaxing Haiyu had two limited partners and is owned as to approximately 96.12% by Jiaxing Yunxu Equity Investment Partnership (Limited Partnership)* (嘉興雲旭股權投資合夥企業(有限合夥)) as the largest and the only limited partner with 30% or more partnership interests in Jiaxing Haiyu, whose general partner is Wuhan Borui Zhilian Private Equity Fund Management Co., Ltd.* (武漢博睿智聯私募基金管理有限公司), which is ultimately controlled by Cai Xiang (蔡祥).

(g) Yibin Chendao

Yibin Chendao is a limited partnership established under the laws of the PRC and is principally engaged in investment and asset management and private equity investment. Yibin Chendao is managed by its general partner, Ningbo Meishan Bonded Port Park Chendao Investment Partnership (Limited Partnership)* (寧波梅山保税港區晨道投資合夥企業(有限合夥)), whose only limited partner is Guan Chaoyu (關朝余) and general partner is Ningbo Meishan Bonded Port Area Yitian Investment Co., Ltd* (寧波梅山保税港區倚天投資有限公司), which is owned as to 67% and 33% by Guan Chaoyu (關朝余) and Zhang Shuqin (章書勤), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Yibin Chendao had four limited partners, and is owned as to approximately 44.10% by Yibin Emerging Industry Investment Group Co., Ltd* (宜賓市新興產業投資集團有限公

司) as the largest and the only limited partner with 30% or more partnership interests in Yibin Chendao, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Yibin Municipal Government.

(h) Chengyi Xinrui

Chengyi Xinrui is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment and investment consultancy. Chengyi Xinrui is managed by its general partner, Ningbo Shenyi Investment Management Co., Ltd. (寧波申毅投資管理有限公司), which is owned as to 60% by Shanghai Zhiyi Enterprise Management Consulting Co., Ltd* (上海郅毅企業管理諮詢有限公司) (which is owned as to 50%, 49% and 1% by Zhang Qing (張卿), Liu Zhe (劉喆) and Xiong Shengjun (熊勝君), respectively) and 40% by Shanghai Shenneng Chengyi Equity Investment Co., Ltd* (上海申能誠毅股權投資有限公司) ("**Shanghai Shenneng Chengyi**"), which ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Chengyi Xinrui had two limited partners and was owned as to approximately 79.9% by Shanghai Shenneng Chengyi as the largest and the only limited partner with 30% or more partnership interests in Chengyi Xinrui.

(i) Chaoxing Capital

Chaoxing Capital is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. To the best knowledge and information of our Directors, Chaoxing Capital is owned as to 1% by its general partner, Huang Kun (黃錕) and as to 99% by its sole limited partner, Wu Cen (吳岑).

Pre-IPO Investors from the August 2022 Capital Increase

(j) Fupu Investment

Fupu Investment is a limited partnership established under the laws of the PRC and is principally engaged in equity and venture capital investment. Fupu Investment is managed by its general partner, Guangzhou Fupu Daohe Investment Management Co., Ltd* (廣州複樸道和投資管理有限公司), which is owned as to 51% by Beijing Fupu Daohe Investment Management Co., Ltd* (北京複樸道和投資管理有限公司) (which is held as to 38%, 30.5%, 17%, 12% and 2.5% by Zhao Zhijian (趙志堅), Wang Junfeng (王軍峰), Zhao Min (趙敏), Mao Xiangyu (毛向宇) and Zhang Xin (張馨), respectively) and as to 49% by Mao Xiangyu (毛向宇), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Fupu Investment is owned as to 99% by its sole limited partner, Nanchang New Century Venture Capital Co., Ltd* (南昌新世紀創業投資有限責任公司), which is ultimately controlled by the People's Government of Nanchang Municipal.

(k) Jinyun Tianyu and Yueke Xintai

Jinyun Tianyu is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Yueke Xintai is a limited partnership established under the laws of the PRC and is principally engaged in venture capital investment. Each of Jinyun Tianyu and Yueke Xintai is managed by its general partner, Shenzhen Yueke Xintai Equity Investment Fund Management Co., Ltd* (深圳粵科鑫泰股權投資基金管理有限公司), which is owned as to 55% and 45% by Zhuhai Qingdingtai Private Fund Management Co., Ltd.* (珠海青鼎泰私募基金管理有限公司) (which is ultimately controlled by Wu Andong (吳安東)) and Guangdong Yueke Venture Capital Management Co., Ltd.* (廣東粵科創業投資管理有限公司) (which is ultimately controlled by the People's Government of Guangdong Province), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Jinyun Tianyu had 35 limited partners, none of which held 30% or more partnership interests in Jinyun Tianyu.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Yueke Xintai had 39 limited partners, none of which held 30% or more partnership interests in Yueke Xintai.

(l) China-Belgium Fund

China-Belgium Fund is a limited liability company established under the laws of the PRC and is primarily engaged in equity investment. To the best knowledge and information of our Directors, as of the Latest Practicable Date, China-Belgium Fund is owned as to (i) 15% by China Development Bank Capital Co., Ltd. (國開金融有限責任公司) (which is wholly-owned by the China Development Bank (國家開發銀行)), (ii) 15% by the National Council for Social Security Fund (全國社會保障基金理事會) (which is a public institution under the Ministry of Finance of the PRC), (iii) 13% by China Banknote Printing and Minting Corporation (中國印鈔造幣集團有限公司) (which is wholly-owned by the People's Bank of China (中國人民銀行)), (iv) 10% by BNP Paribas, (v) 10% by Guangdong Xizhilang Group Co., Ltd (廣東喜之郎集團有限公司) (which is owned as to 40%, 30%, 15% and 15% by Li Yongjun (李永軍), Li Yongkui (李永魁), Li Junting (李俊霆) and Li Yongliang (李永良), respectively), (vi) 10% by Haitong Securities Co., Ltd (海通證券股份有限公司), (vii) 10% by State Development and Investment Corporation Ltd (國家開發投資集團有限公司) (which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council), (viii) 8.5% by the Government of Belgium, and (ix) 8.5% by Ministry of Finance of the PRC.

(m) Yongyue Chengzhang

Yongyue Chengzhang is a limited partnership established under the laws of the PRC and is principally engaged in investment and asset management and private equity investment. Yongyue Chengzhang is managed by its general partner, Shenzhen Yongyue Capital Investment (Limited Partnership) (深圳踴躍資本投資企業(有限合夥)), which is ultimately controlled by He Zhaoji (何兆基).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Yongyue Chengzhang had 16 limited partners, none of which held 30% or more partnership interests in Yongyue Chengzhang.

(n) Chunyang Jiutai and Qingyi Xinyang

Chunyang Jiutai is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Chunyang Jiutai is managed by its general partner, Shenzhen Qianhai Chunyang Venture Capital Partnership (Limited Partnership)* (深圳前海春陽創業投資合夥企業(有限合夥)).

Shenzhen Qianhai Chunyang Venture Capital Partnership (Limited Partnership)* (深圳前海春陽創業投資合夥企業(有限合夥)) is managed by its general partner, Shenzhen Qianhai Chunyang Asset Management Co., Ltd. (深圳前海春陽資產管理有限公司) ("**Shenzhen Qianhai Chunyang**"), which is owned as to 80% by Shenzhen Chunyang Chuangxian Information Consulting Partnership (Limited Partnership)* (深圳春陽創先資訊諮詢合夥企業(有限合夥)), the general partner of which is Fu Junru (傅軍如) with a 10% partnership interests and the sole limited partner of which is Wu Min (武敏) with a 90% partnership interests.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Chunyang Jiutai had 12 limited partners, none of which held 30% or more partnership interests in Chunyang Jiutai.

Qingyi Xinyang is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment and investment consultancy. Qinyi Xinyang is managed by its general partner, Shanghai Xinshi Management Consulting Partnership (Limited Partnership)* (上海昕實管理諮詢合夥企業(有限合夥)), whose general partner is Shenzhen Qianhai Chunyang and the largest and only limited partner with 30% or more partnership interest is Ma Xiaoxiao (馬蕭蕭).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Qingyi Xinyang had four limited partners, and among them, is owned as to approximately 43.02% by Guangdong Jiayuan Technology Shares Co., Ltd. (廣東嘉元科技股份有限公司) (which is listed on the Shanghai Stock Exchange STAR Market (stock code: 688388)) and approximately 31.29% by Shanghai Shenneng Chengyi (which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government), respectively, as the limited partners with 30% or more partnership interest in Qingyi Xinyang.

(o) Liwan Investment and Liwan Youxuan

Liwan Investment is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Liwan Youxuan is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Each of Liwan Investment and Liwan Youxuan is managed by its general partner, Guangdong

Liwan Venture Capital Management Co., Ltd* (廣東立灣創業投資管理有限公司) ("**Liwan Venture Capital**"), which is owned as to approximately 53.90% by Zhan Guangjiu (詹光玖) and three other shareholders each holding less than 30%.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liwan Investment had seven limited partners, none of which held 30% or more partnership interests in Liwan Investment.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liwan Youxuan had 11 limited partners, none of which held 30% or more partnership interests in Liwan Youxuan.

(p) Zhongguangyuan

Zhongguangyuan is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Zhongguangyuan is managed by its general partner, Guangdong Zhongguang Investment Management Co., Ltd* (廣東中廣創業投資管理有限公司), which is owned as to 44% by Zheng Qiang (鄭強) and five other shareholders each holding less than 30%.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhongguangyuan had 12 limited partners, none of which held 30% or more partnership interests in Zhongguangyuan.

Pre-IPO Investors from the December 2022 Capital Increase

(q) Guanshun Investment, Guanling Investment and Zhongshan Lianxin

Each of Guanshun Investment and Guanling Investment is a limited partnership established under the laws of the PRC and is principally engaged in private equity investment and investment and asset management. Each of Guanshun Investment and Guanling Investment is managed by its general partner, Gongqingcheng Boyuan Investment Management (Limited Partnership)* (共青城博源投資管理中心(有限合夥)), whose general partner is Primitive Forest Holdings Group Co., Ltd.* (原始森林控股集團有限公司), which is ultimately controlled by Liu Hong (劉鴻).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Guanshun Investment had nine limited partners and is held as to approximately 64.13% by Lhasa Economic and Technological Development Zone Dongying Investment Management Partnership (General Partnership)* (拉薩經濟技術開發區東盈投資管理合夥企業(普通合夥)) as the largest and the only limited partner with 30% or more partnership interest in Guanshun Investment, which is ultimately controlled by Huang Jianping (黃建平).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Guanling Investment had 11 limited partners, none of which held 30% or more partnership interests in Guanling Investment. One of the limited partners, Dazhong Industrial, a Pre-IPO Investor, held as to 23.70% of the partnership interests in Guanling Investment.

Zhongshan Lianxin is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Zhongshan Lianxin is managed by its general partner, Guangdong Boyuan Fund Co., Ltd.* (廣東博源基金管理有限公司), which is ultimately controlled by Liu Hong (劉鴻).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhongshan Lianxin had three limited partners, and, among them, is owned as to 39% by Gongqingcheng Boyuan Jiahe Entrepreneurship Investment Partnership (Limited Partnership)* (共青城博源佳禾創業投資合夥企業(有限合夥)) (which is ultimately controlled by Liu Hong (劉鴻)), 30% by Zhongshan Torch Science and Technology Innovation Fund Management Center (Limited Partnership)* (中山火炬科創基金管理中心(有限合夥)) (whose general partner is Zhongshan Torch Electronic Industry Fund Management Co., Ltd.* (中山火炬電子產業基金管理有限公司), which is ultimately controlled by Zhongshan Torch Hi-tech Industrial Development Zone Management Committee* (中山火炬高技術產業開發區管理委員會), and 30% by Zhongshan Lianhe Optoelectronics Technology Co., Ltd.* (中山聯合光電科技股份有限公司) (whose share are listed on the Shenzhen Stock Exchange (stock code: 300691)), as the limited partners with 30% or more partnership interest in Zhongshan Lianxin.

(r) Zhaohua Zhaozheng and Zhaoshang Jianghai

Zhaohua Zhaozheng is a limited partnership established under the laws of the PRC and is primarily engaged in investment and asset management and private equity investment. Zhaoshang Jianghai is a limited partnership established under the laws of the PRC and is primarily engaged in equity and industrial investment. Each of Zhaohua Zhaozheng and Zhaoshang Jianghai is managed by its general partner, Shenzhen China Merchants Guoxie No.2 Equity Investment Fund Management Co., Ltd.* (深圳市招商國協貳號股權投資基金管理有限公司).

Shenzhen China Merchants Guoxie No.2 Equity Investment Fund Management Co., Ltd.* (深圳市招商國協貳號股權投資基金管理有限公司) is wholly owned by China Merchants Capital Management Co., Ltd.* (招商局資本管理有限責任公司), which is in turn wholly owned by China Merchants Capital Co., Ltd.* (招商局資本投資有限責任公司), which is owned as to 50% and 50% by GLP Capital Investment 5 (HK) Limited and Shenzhen Merchant Finance Investment Holding Co., Ltd (招商局金融控股有限公司) (which is ultimately controlled by the State Council of the PRC), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhaohua Zhaozheng had three limited partners and is held as to approximately 93.69% by China Merchants Securities Investment Co., Ltd.* (招商證券投資有限公司) as the largest and the only limited partner with 30% or more partnership interests in Zhaohua

Zhaozheng, which is wholly owned by China Merchants Securities Co., Ltd.* (招商證券股份有限公司), the shares of which are dually listed on the Shenzhen Stock Exchange (stock code: 600999) and the Stock Exchange (stock code: 6099).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhaoshang Jianghai had six limited partners, none of which held 30% or more partnership interests in Zhaoshang Jianghai.

(s) Huanyu Investment

Huanyu Investment is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Huanyu Investment is managed by its general partner, Beijing Qianchuang Capital Co., Ltd.* (北京乾創投資管理有限公司), which is owned as to 65% by Chen Jinqin (陳錦欽) and 35% by Chen Zhen (陳臻).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Huanyu Investment had three limited partners and is held as to approximately 76.69% by Zhejiang Hanxiang Education Technology Co., Ltd.* (浙江漢象教育科技有限公司) as the largest and the only limited partner with 30% or more partnership interests in Huanyu Investment, which is owned as to 40% by Jiang Weijia (蔣維佳), 40% by Shaoxing Shangyu Kongde Education Consulting Co., Ltd.* (紹興上虞孔德教育諮詢有限公司) (which is owned as to 51% and 49% by Jiang Qiuduo (蔣秋多) and Jiang Yueding (蔣岳定), respectively) and 20% by Zhu Cheng (朱成).

(t) Liwan Beizeng

Liwan Beizeng is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Liwan Beizeng is managed by its general partner, Liwan Venture Capital. For details of Liwan Venture Capital, please refer to "— Pre-IPO Investments — Information relating to our key Pre-IPO Investors — Pre-IPO Investors from the August 2022 Capital Increase" in this section.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liwan Beizeng had four limited partners and is held as to approximately 44.44% by Xie Zongxiang (謝宗香) and approximately 43.56% by Guangzhou High-tech Zone Industrial Investment Fund Co., Ltd.* (廣州高新區產業投資基金有限公司) as the limited partners with 30% or more partnership interest in Liwan Beizeng.

Guangzhou High-tech Zone Industrial Investment Fund Co., Ltd* (廣州高新區產業投資基金有限公司) is wholly-owned by Guangzhou Kaide Financial Services Group Co., Ltd.* (廣州凱得金融服務集團有限公司) (which is ultimately controlled by Guangzhou Economic and Technological Development Zone, Guangzhou High-tech Industrial Development Zone, Guangzhou Export Processing Zone, Guangzhou Bonded Zone Management Committee* (廣州經濟技術開發區、廣州高新技術產業開發區、廣州出口加工區、廣州保稅區管理委員會).

(u) Liderang

Liderang is a limited partnership established under the laws of the PRC and is primarily engaged in investment activities. Liderang is managed by its general partner, Zhejiang Lide Jintou Investment Management Co., Ltd* (浙江立德金投私募基金管理有限公司), which is owned as to approximately 50.66% by Beijing Lide Century Consulting Co., Ltd.* (北京立德世紀諮詢有限公司), which is in turn ultimately controlled by Feng Jingzhi (馮景芝).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liderang had three limited partners and is held as to approximately 75.00% by Luzhou Puxin Equity Investment Fund Partnership (Limited Partnership)* (瀘州璞信股權投資基金合夥企業(有限合夥)), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Luzhou City Government, as the largest and the only limited partner with 30% or more partnership interest in Liderang.

(v) Huatuo Hefu

Huatuo Hefu is a limited partnership established under the laws of the PRC and is primarily engaged in investment and asset management and private equity investment. Huatuo Hefu is managed by its general partner, Shenzhen Huatuo Private Equity Investment Fund Management Co., Ltd.* (深圳市華拓私募股權投資基金管理有限公司), which is owned as to 60%, 20%, 10% and 10% by Chen Yunxing (陳運興), Li Jiabin (李佳彬), Xian Junhui (冼俊輝) and Shenzhen Zhengcheng Sunshine Investment (Limited Partnership)* (深圳市正成陽光投資企業(有限合夥)) (which is ultimately controlled by Chen Yunxing (陳運興)), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Huatuo Hefu had two limited partners and is held as to approximately 66.62% by Xu Cuifang (徐翠芳) and approximately 33.31% by Shanghai Songqing Network Technology Co., Ltd.* (上海嵩擎網絡科技有限公司), which is owned as to 99% and 1% by Wen Jinhua (溫金花) and Wei Yuncong (魏雲聰).

(w) Bozhong Innovation

Bozhong Innovation is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Bozhong Innovation is managed by its general partner, Shenzhen Bozhong Private Equity Fund Management Co., Ltd.* (深圳博中私募股權基金管理有限公司), which is owned as to 60%, 30% and 10% by Liu Xiaohei (劉小黑), Deng Yufan (鄧鬱凡) and Liu Cheng (劉誠), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Bozhong Innovation had nine limited partners, none of which held 30% or more partnership interests in Bozhong Innovation.

Pre-IPO Investors from the November 2024 Equity Transfers

(x) Runfu Investment

Runfu Investment is a limited partnership established under the laws of the PRC and is primarily engaged in consulting services and investment activities. Runfu Investment is held by 39 partners, with Ms. Li Huanting (李煥婷), an Independent Third Party save for being an employee of our Group, as the executive partner and general partner holding approximately 6.04% of partnership interest, and 38 limited partners holding 93.96% of partnership interest in aggregate, including five individuals (i.e., Mr. Li, Mr. Au Yeung, Ms. Yin Xuefang, Mr. Han Jingrui and Mr. Li Zhuoxing) who are Directors, Supervisors or senior management of our Company holding 83.82% of partnership interest in aggregate and 33 current employees or ex-employees of our Group who are Independent Third Parties holding 10.14% of partnership interest in aggregate. Pursuant to the partnership agreement of Runfu Investment, the executive partner and general partner of the limited partnership shall manage the limited partnership's affairs, and the limited partners, who are to enjoy economic benefits, shall have no rights to manage the limited partnership's affairs. As such, Runfu Investment should be deemed to be controlled by Ms. Li Huanting. Hence, Runfu Investment does not constitute a core connected person of the Company pursuant to the Listing Rules and shall be counted towards the public float.

OUR ESOP PLATFORMS

In recognition of the contributions of our employees, Dinghong Investment, Runsheng Investment and Wanghe Investment were established in the PRC as our ESOP Platforms.

Dinghong Investment

Dinghong Investment was established as a limited partnership under the laws of the PRC on August 6, 2020. At the time of its establishment, Dinghong Investment was owned as to 41.86%, 26.86%, 13.14%, 11.43%, 5.71% and 1% by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang, Mr. Yuan and Tianyu Gongchuang, respectively. As of the Latest Practicable Date, Tianyu Gongchuang is the executive partner and general partner of Dinghong Investment holding 1% of partnership interest, and is responsible for the management of Dinghong Investment. As of the Latest Practicable Date, Dinghong Investment had 44 limited partners, holding 99% of partnership interest in aggregate, including eight individuals (i.e., Mr. Li (who individually hold as to 34.75% of partnership interest), Mr. Au Yeung, Mr. Zhuang, Mr. Yuan, Mr. Peng Guanghui, Ms. Li Yongmei, Mr. Han Jingrui and Mr. Li Zhuoxing) who are Directors, Supervisors or members of senior management of our Company holding approximately 75.33% of partnership interest (for each of themselves and are not held on behalf of other persons) in aggregate and 36 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 23.67% of partnership interest in aggregate. Save as disclosed above, none of Directors, Supervisors or senior management of the Company individually hold 30% or more partnership interests in Dinghong Investment.

Runsheng Investment

Runsheng Investment was established as a limited partnership under the laws of the PRC on August 5, 2020. At the time of its establishment, Runsheng Investment was owned as to 41.86%, 26.86%, 13.14%, 11.43%, 5.71% and 1% by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang, Mr. Yuan and Tianyu Gongchuang, respectively. As of the Latest Practicable Date, Tianyu Gongchuang is the executive partner and general partner of Runsheng Investment holding 1% of partnership interest, and is responsible for the management of Runsheng Investment. As of the Latest Practicable Date, Runsheng Investment had 42 limited partners holding 99% of partnership interest in aggregate, including four individuals (i.e., Mr. Li (who individually hold as to 39.94% of partnership interest), Mr. Au Yeung, Mr. Zhuang and Mr. Yuan) who are Directors or Supervisors holding approximately 75.10% of partnership interest (for each of themselves and are not held on behalf of other persons) in aggregate and 36 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 23.90% of partnership interest in aggregate. Save as disclosed above, none of Directors, Supervisors or senior management of the Company individually hold 30% or more partnership interests in Runsheng Investment.

Wanghe Investment

Wanghe Investment was established as a limited partnership under the laws of the PRC on August 5, 2020. At the time of its establishment, Wanghe Investment was owned as to 41.86%, 26.86%, 13.14%, 11.43%, 5.71% and 1% by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang, Mr. Yuan and Tianyu Gongchuang, respectively. As of the Latest Practicable Date, Tianyu Gongchuang is the executive partner and general partner of Wanghe Investment holding 1% of partnership interest, and is responsible for the management of Wanghe Investment. As of the Latest Practicable Date, Wanghe Investment had 24 limited partners holding 99% of partnership interest in aggregate, including five individuals (i.e., Mr. Li (who individually hold as to 42.62% of partnership interest), Mr. Au Yeung, Mr. Zhuang Shuguang, Mr. Yuan and Ms. Yin Xuefang) who are Directors or Supervisors holding approximately 83.77% of partnership interest (for each of themselves and are not held on behalf of other persons) in aggregate and 19 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 15.23% of partnership interest in aggregate. Save as disclosed above, none of Directors, Supervisors or senior management of the Company individually hold 30% or more partnership interests in Wanghe Investment.

EMPLOYEE INCENTIVE SCHEME

In recognition of the contribution of our employees, we have adopted the Employee Incentive Scheme. The participants (the "**Participants**") of the Employee Incentive Scheme include the directors, senior management, core technical personnel and service backbones of our Company or its subsidiaries, and other persons with material impact on our Company's operating performance and future development of whom our Company considers appropriate (except for the independent non-executive Directors). Our Board was authorized to manage the Employee Incentive Scheme, including, but not limited to, formulating and amending implementation documents of the Employee Incentive Scheme, and choosing the appropriate administrator of the ESOP Platforms. The administrator of ESOP Platforms was authorized to manage the daily operation of the platforms and Tianyu Gongchuang, the executive partner of the ESOP Platforms, acts as the administrator of the ESOP Platforms.

After our Company is listed, where the Participant's employment relationship with our Company terminates without misconduct, the relevant Participant may transfer his/her partnership interests in the ESOP Platforms to the administrator of the ESOP Platforms or a third party designated by the administrator at the actual subscription price plus certain interest calculated pursuant to the Employee Incentive Scheme. Since the adoption of the Employee Incentive Scheme, no incentive awards have been redeemed. For more details of the Employee Incentive Scheme, see "— E. Employee Incentive Scheme" in Appendix VII to this prospectus.

Save as disclosed above and in the paragraph headed "— E. Employee Incentive Scheme" in Appendix VII to this prospectus, as of the Latest Practicable Date, our Group does not have any outstanding share options, warrants, convertible debt securities or other convertible instruments, or similar rights convertible into our Shares.

PUBLIC FLOAT

Our Company has made an application for conversion of Unlisted Shares to H Shares, which has been approved by the CSRC and pursuant to which, a total of 28,919,926 Unlisted Shares will be converted into H Shares on a one-for-one basis upon the completion of the Global Offering. Such 28,919,926 H Shares (representing approximately 7.3537% of our total issued Shares upon the Listing (assuming that the Over-allotment Option is not exercised)) to be converted from Unlisted Shares and listed on the Stock Exchange following the completion of the Global Offering. None of the Unlisted Shares held by the core connected persons of our Company (including (1) each of Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment who is each a Controlling Shareholder; and (2) each of Mr. Zhuang and Mr. Yuan who is each a Supervisor) will be converted to H Shares. Unlisted Shares which are converted into H Shares will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as such Shareholders are not core connected persons of our Company upon the Listing nor accustomed to take instructions from our Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company's core connected persons.

The 334,278,085 Unlisted Shares that will not be converted into H Shares (representing approximately 85.0000% of our total issued Shares upon the Listing (assuming the Over-allotment Option is not exercised)) will not be considered as part of the public float as such Unlisted Shares will not be converted into H Shares and will not be listed on the Stock Exchange following the completion of the Global Offering.

See "Share Capital — Conversion of our Unlisted Shares into H Shares" for more details of the H Shares to be converted from Unlisted Shares and listed on the Stock Exchange following the completion of the Global Offering and the conversion of Unlisted Shares into H Shares.

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, (i) 30,070,500 H Shares will be allotted and issued in the Global Offering; (ii) 28,919,926 Unlisted Shares will be converted into H Shares; and (iii) 393,268,511 Shares will be issued and outstanding in the share capital of our Company upon completion of the Global Offering, 58,990,426 Shares, representing approximately 15.0000% of the total number of issued Shares of our Company will be counted towards the public float, which is at least, based on the Offer Price of HK$58.00 per H Share, 15% with the expected market value of HK$22.81 billion, which is over HK$6,000,000,000 but not exceeding HK$30,000,000,000 under Rule 19A.13A(1).

Therefore, our Company will be able to meet the minimum public float requirements under Rules 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules.

FREE FLOAT

As the Shares held by our existing Shareholders are subject to a lock-up period of 12 months from the Listing Date and the H Shares held by our cornerstone investors are subject to a lock-up period of six months from the Listing Date, H Shares held by them upon Listing should not be counted towards the free float of the H Shares of the Company at the time of Listing. Based on the Offer Price of HK$58.00 per H Share, the Company will satisfy the free float requirement under Rule 19A.13C of the Listing Rules.

PREVIOUS LISTING PLAN

Our Company has previously considered the possibility of seeking an initial public offering in the PRC following the continued growth in the scale of our business and to raise funds to support our development projects. Our Directors considered that the industry and nature of our business aligned with the positioning of the ChiNext of the Shenzhen Stock Exchange (the "**ChiNext**"), and initially explored the possibility of seeking an initial public offering on the ChiNext (the "**Previous Listing Plan**").

In January 2023, we entered into a tutoring agency agreement with CITIC Securities Company Limited for guidance and preliminary compliance advice with regard to our proposed listing on the ChiNext and CITIC Securities Company Limited made a preliminary tutoring filing (上市輔導備案申請) with the Guangdong Regulatory Bureau of CSRC (中國證券監督管理委員會廣東監管局). CITIC Securities Company Limited submitted Phase 1 (輔導工作進展報告(第一期)) and Phase 2 (輔導工作進展報告(第二期)) of the tutoring work progress reports in April 2023 and July 2024 respectively. In June 2023, we submitted a listing application in relation to our Previous Listing Plan with the Shenzhen Stock Exchange and up until we decided not to proceed with the Previous Listing Plan, we had not received any verbal or written comments or inquiries from the Shenzhen Stock Exchange. In August 2024, our Company and CITIC Securities Company Limited agreed to terminate the tutoring agency agreement. As no verbal or written comments or inquiries have been received from the Shenzhen Stock Exchange, and so far as the Directors are aware, the listing application in relation to our Previous Listing Plan has become obsolete as at the Latest Practicable Date.

Meanwhile, our Directors also considered the Stock Exchange, as an internationally recognized and reputable stock exchange, to be an appropriate listing venue to provide us with a good platform to access the international equity market and expand our global business.

After taking into consideration a number of factors, including timing and other commercial considerations, we decided not to proceed with the Previous Listing Plan at the current stage.

As of the Latest Practicable Date, save for the filing with the Shenzhen Stock Exchange as disclosed above, we had not filed any listing application in relation to our Previous Listing Plan with the CSRC or any other stock exchanges and had not received any verbal or written comments or inquiries from the CSRC or any other stock exchanges. To the best of our Directors' knowledge and belief, our Directors are not aware of any other matters in relation to the Previous Listing Plan that should be brought to the attention of the Stock Exchange and potential investors, and the Sole Sponsor concurs with our Directors' view above.

CAPITALIZATION OF OUR COMPANY

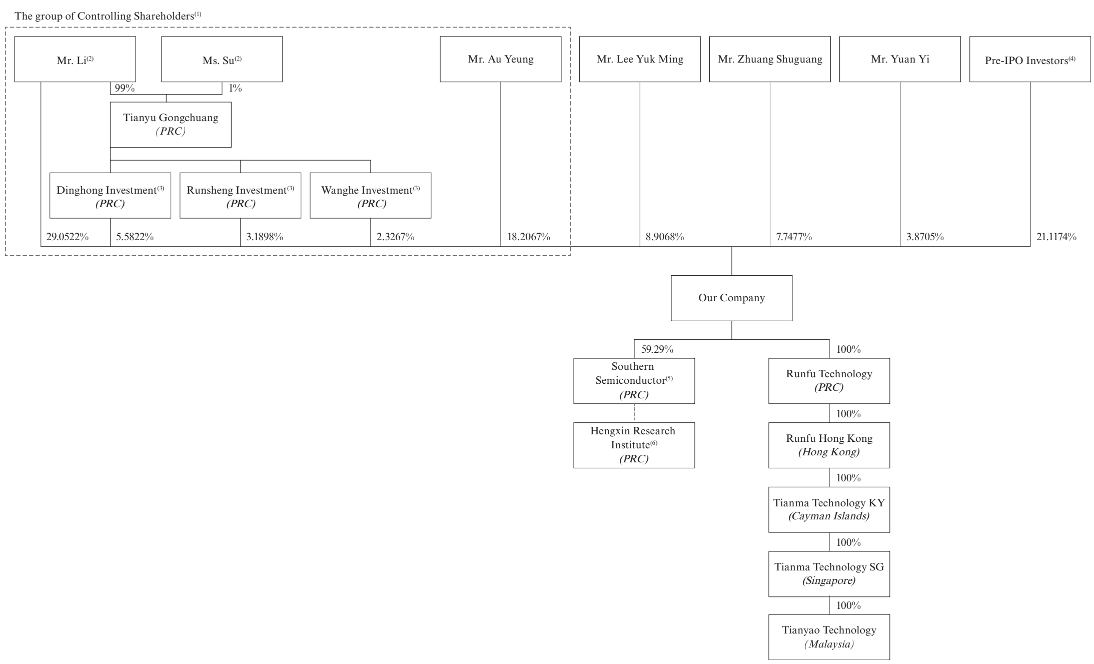
The following table sets out our shareholding structure (a) as of the date of the Latest Practicable Date and (b) as of the Listing Date (assuming that the Over-allotment Option is not exercised):

	As of the Latest Practicable Date		As of the Listing Date (assuming that the Over-allotment Option is not exercised)					
Shareholders	**Number of Unlisted Shares**	**Approximate percentage in total issued share capital**	**Number of H Shares**	**Approximate ownership percentage in H Shares**	**Number of Unlisted Shares**	**Approximate ownership percentage in Unlisted Shares**	**Total number of Shares**	**Approximate ownership percentage in total issued share capital**
		(%)		(%)		(%)		(%)
Mr. Li	105,517,013	29.0522	—	—	105,517,013	31.5656	105,517,013	26.8308
Mr. Au Yeung	66,126,373	18.2067	—	—	66,126,373	19.7818	66,126,373	16.8146
Mr. Lee Yuk Ming	32,349,321	8.9068	10,000,000	16.9519	22,349,321	6.6858	32,349,321	8.2258
Mr. Zhuang	28,139,493	7.7477	—	—	28,139,493	8.4180	28,139,493	7.1553
Habo Technology	23,852,303	6.5673	4,000,000	6.7808	19,852,303	5.9389	23,852,303	6.0651
Dinghong Investment	20,274,440	5.5822	—	—	20,274,440	6.0651	20,274,440	5.1554
Mr. Yuan	14,057,580	3.8705	—	—	14,057,580	4.2054	14,057,580	3.5746
Runsheng Investment	11,585,291	3.1898	—	—	11,585,291	3.4658	11,585,291	2.9459
Wanghe Investment	8,450,528	2.3267	—	—	8,450,528	2.5280	8,450,528	2.1488
Dazhong Industrial	7,449,191	2.0510	—	—	7,449,191	2.2284	7,449,191	1.8942
Guanshun Investment	5,795,914	1.5958	—	—	5,795,914	1.7339	5,795,914	1.4738
Shangqi Huizhu	5,566,736	1.5327	2,226,694	3.7747	3,340,042	0.9992	5,566,736	1.4155
BYD	5,462,135	1.5039	—	—	5,462,135	1.6340	5,462,135	1.3889
Jiaxing Haiyu	3,215,755	0.8854	1,278,584	2.1674	1,937,171	0.5795	3,215,755	0.8177
Yibin Chendao	2,893,962	0.7968	2,893,962	4.9058	—	—	2,893,962	0.7359
Guanling Investment	2,759,942	0.7599	—	—	2,759,942	0.8256	2,759,942	0.7018
Fupu Investment	2,759,942	0.7599	689,975	1.1696	2,069,967	0.6192	2,759,942	0.7018
Jinyun Tianyu	2,070,229	0.5700	—	—	2,070,229	0.6193	2,070,229	0.5264
China-Belgium Fund	1,656,183	0.4560	1,015,400	1.7213	640,783	0.1917	1,656,183	0.4211
Runfu Investment	1,656,182	0.4560	1,656,182	2.8075	—	—	1,656,182	0.4211
Yueke Xintai	1,518,167	0.4180	—	—	1,518,167	0.4542	1,518,167	0.3860
Yongyue Chengzhang	1,380,152	0.3800	1,380,152	2.3396	—	—	1,380,152	0.3509
Chengyi Xinrui	1,286,084	0.3541	—	—	1,286,084	0.3847	1,286,084	0.3270
Chunyang Jiutai	828,091	0.2280	828,091	1.4038	—	—	828,091	0.2106
Liwan Investment	828,091	0.2280	—	—	828,091	0.2477	828,091	0.2106
Qingyi Xinyang	828,091	0.2280	828,091	1.4038	—	—	828,091	0.2106
Zhongshan Lianxin	828,091	0.2280	—	—	828,091	0.2477	828,091	0.2106
Huanyu Investment	690,076	0.1900	690,076	1.1698	—	—	690,076	0.1755
Liwan Beizeng	579,664	0.1596	—	—	579,664	0.1734	579,664	0.1474
Liderang	552,061	0.1520	552,061	0.9358	—	—	552,061	0.1404
Zhongguangyuan	552,061	0.1520	—	—	552,061	0.1652	552,061	0.1404
Liwan Youxuan	496,855	0.1368	—	—	496,855	0.1486	496,855	0.1263
Huatuo Hefu	414,046	0.1140	414,046	0.7019	—	—	414,046	0.1053
Chaoxing Capital	321,430	0.0885	321,430	0.5449	—	—	321,430	0.0817
Bozhong Innovation	276,030	0.0760	92,010	0.1560	184,020	0.0550	276,030	0.0702
Jiaxing Qiying	132,930	0.0366	53,172	0.0901	79,758	0.0239	132,930	0.0338
Chuangqi Kaiying	47,578	0.0131	—	—	47,578	0.0142	47,578	0.0121
Other investors taking part in the Global Offering	—	—	30,070,500	50.9752	—	—	30,070,500	7.6463
Total	**363,198,011**	**100.0000**	**58,990,426**	**100.0000**	**334,278,085**	**100.0000**	**393,268,511**	**100.0000**

CORPORATE STRUCTURE

Corporate Structure immediately prior to the completion of the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the Global Offering:



Notes:

(1) Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung are parties acting-in-concert. As Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are entities controlled by Mr. Li, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders. For details, please see "— Corporate Development — Our Company — Concert Party Arrangement" in this section and "Relationship with our Controlling Shareholders" in this prospectus.

(2) Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its general partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su, the spouse of Mr. Li.

(3) Dinghong Investment, Runsheng Investment and Wanghe Investment are ESOP Platforms of our Group. For details, please see "— Our ESOP Platforms" in this section.

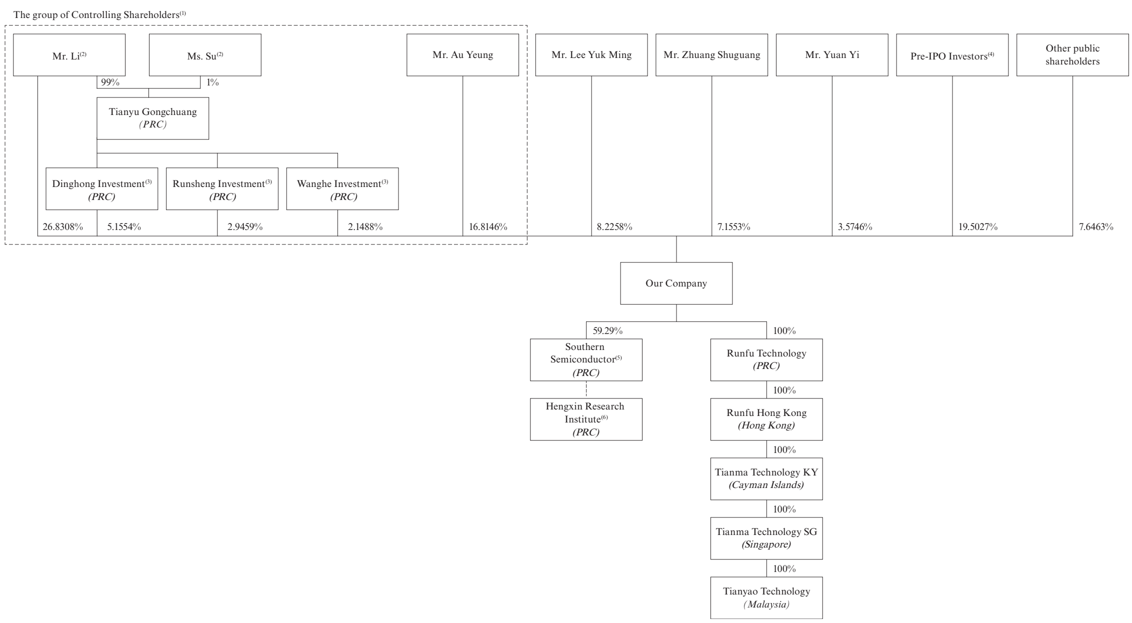
(4) For details of our Pre-IPO Investors, please see "— Pre-IPO Investments" in this section.

(5) Southern Semiconductor is owned as to approximately 59.29% by our Company, approximately 14.29% by Songshanhu Holdings, approximately 11.10% by Jiazhi Investment, approximately 10.00% by Zhongjia Semiconductor, approximately 4.67% by East Group, and approximately 0.65% by Xinguangyuan Industry. For details of Southern Semiconductor and its shareholders, please refer to the notes under "— Corporate Development — Our Subsidiaries" in this section.

(6) Hengxin Research Institute is a private non-enterprise entity (民辦非企業單位) established by Southern Semiconductor. For details, please see "— Corporate Development — Our Subsidiaries" in this section.

Corporate Structure immediately following the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



Notes: Please refer to the notes under "— Corporate Structure — Corporate Structure immediately prior to the completion of the Global Offering" in this section above.

OVERVIEW

Who We Are

We are an SiC epitaxial wafer manufacturer focusing primarily on self-manufactured SiC epitaxial wafers.* An epitaxial wafer is the key raw material for the production of power semiconductor device. SiC, one of the third-generation semiconductor materials, offers significant performance advantages as compared to traditional semiconductor materials like silicon, making it more suitable for high-voltage, high-temperature, and high-frequency environments. By cutting, grinding and polishing SiC substrates, the major raw materials for our products, a single epitaxial wafer with a specific crystal plane and appropriate electrical, optical and mechanical properties for growing epitaxial layers is obtained. Through an epitaxial process, a specific single crystal, thin film is grown on the epitaxial wafer. We are the third largest China-based SiC epitaxial wafer manufacturer in terms of both revenue and sales volume generated from self-manufactured SiC epitaxial wafers from the global market in 2024, with a market share of 6.7% in terms of revenue and 7.8% in terms of sales volume. We are also the largest manufacturer of self-manufactured SiC epitaxial wafers in terms of both revenue and sales volume in the PRC market in 2024, with market share of 30.6% and 32.5%, respectively.

During the Track Record Period, our revenue was mainly generated from the sales of self-manufactured SiC epitaxial wafers with 4-inch, 6-inch and 8-inch, and the provision of certain value-added services related to SiC epitaxial wafers. In 2024 and for the five months ended May 31, 2025, we sold over 78,000 and over 77,000, respectively, pieces of SiC epitaxial wafers (including our self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) and achieved a total revenue of RMB519.6 million and RMB256.8 million, respectively. We achieved mass production of 4-inch and 6-inch SiC epitaxial wafers in 2014 and 2018, respectively, and possessed the capability to mass produce 8-inch SiC epitaxial wafers in 2023. As of May 31, 2025, we possessed an annual production capacity of approximately 420,000 pieces of 6-inch and 8-inch epitaxial wafers, placing us one of the largest companies in China equipped with production capacity of 6-inch and 8-inch epitaxial wafers, according to Frost & Sullivan.

We have been consistently contributing to the industry with our production processes over the years, conducting R&D focusing on the industrialization of SiC epitaxial wafers, which utilizes 4H-SiC thick-film rapid epitaxial growth technology, and epitaxial wafer cleaning technology. This effort has led to advancements in key technologies such as 8-inch SiC epitaxial technology, multi-layer epitaxial technology, and rapid thick film epitaxial technology. Our scientific research capabilities enable us to earn various honors, including designation as a national high-tech enterprise and accolades. See "— Awards and Recognition." We have placed high focuses on the quality control at various stages in the production cycle. On the supply end, the substrates and other raw materials are principally sourced from renowned suppliers both domestically and internationally. We employ

* SiC epitaxial wafer industry consist of two segments, namely self-manufactured SiC epitaxial wafers, and SiC epitaxial wafers that are produced under foundry services. In 2024, self-manufactured SiC epitaxial wafer segment took up over 90% of the overall PRC market in terms of revenue, with the remaining covered by those produced under foundry services.

advanced production technologies and implement stringent quality control measures throughout the production process. Our major production equipment and machinery are mainstream semiconductor equipment applicable to all sizes of SiC epitaxial wafers and can be shared to produce all types of products. Through independent R&D, we have mastered the key technologies and processes necessary for the entire SiC epitaxial wafer production cycle required to manufacture 600–30,000V unipolar and bipolar power devices. Our product range is comprehensive, featuring competitive performance metrics. Currently, we offer 4-inch and 6-inch SiC epitaxial wafers and have commenced mass production of 8-inch epitaxial wafers. With our satisfactory product quality, delivery capabilities, and service, we have gained widespread recognition from customers, both domestically and internationally. We serve as one of the primary SiC epitaxial wafer suppliers for major domestic and international SiC power device manufacturers across various sectors. We have integrated into the supply chains of key customers and maintain good, stable relationships with them, allowing us to rapidly expand our customer network.

With comprehensive insight in business management, we have an established business model that meets industry needs. We heed demand from different downstream customers, engaging in the industries of electric vehicle, power supply and rail transportation including their varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, which are influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs, we primarily engage in direct sales to targeted customers by offering them tailored products. We procure raw materials based on the expected sales volume, with appropriate reserves, and make production plans accordingly. This approach enhances our ability to manage procurement and inventory effectively.

As a top supplier of third-generation SiC semiconductor materials, we have benefited from the rapid development of new energy-related industries in recent years both in China and globally, resulting in a significant increase in product shipments. During the Track Record Period, our sales volume (including self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) grew from 44,515 pieces in 2022 to 130,702 pieces in 2023, but decreased to 78,928 pieces in 2024, mainly due to the change of market condition attributable to a decrease in our overseas sales which resulted from global trade tensions. Our sales volume (including self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) grew from 37,391 pieces for the five months ended May 31, 2024 to 77,709 pieces for the five months ended May 31, 2025. Our revenue increased from RMB436.9 million in 2022 to RMB1,171.2 million in 2023, and decreased to RMB519.6 million in 2024. Our net profit boosted from RMB2.8 million in 2022 to RMB95.9 million in 2023. However, we recorded a net loss of RMB500.3 million in 2024, primarily due to the gross loss incurred as a result of provision for write-down of inventories recorded during the year affected mainly by the decreasing price trend of the SiC epitaxial wafers as a result of temporary oversupply. For the five months ended May 31, 2025, although our revenue decreased to RMB256.8 million from the corresponding period in 2024 of RMB297.3 million, our gross loss and net loss positions recorded in 2024 have turned to gross profit and net profit positions for the five months ended May 31, 2025. See "— Challenges to Our

Industry and Our Business — Analysis on Recent Financial Performance.” In particular, our net profit for the five months ended May 31, 2025 included government grants of RMB15.0 million.

Market Opportunities

SiC is a compound of carbon and silicon and is classified as a wide-bandgap semiconductor material. Compared to traditional semiconductor materials like silicon, SiC, as one of the third-generation semiconductor materials, offers significant performance advantages. These include a larger bandgap, higher breakdown of electric field, greater thermal conductivity, higher electron saturation drift velocity, and strong radiation resistance. This makes it more suitable for high-voltage, high-temperature, and high-frequency environments. See “Industry Overview — Overview of Power Semiconductor Device Industry and SiC Power Semiconductor Device Industry — Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials.” From raw materials to semiconductor power devices, SiC undergoes several process steps, including single crystal growth, ingot slicing, epitaxial growth, wafer design, manufacturing, and packaging. Our primary focus is on SiC epitaxial growth. In terms of end-use applications, SiC epitaxial wafers are primarily used to manufacture various power devices. These devices are ultimately applied in sectors such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as electric vertical take-off and landing (“**eVTOL**”)) and home appliances.

As performance demands for power devices in these fields continue to rise, SiC devices, due to their superior performance, are becoming increasingly competitive compared to conventional silicon-based devices. According to Frost & Sullivan, China’s SiC power semiconductor device market size grew rapidly from RMB0.9 billion in 2020 to RMB5.4 billion in 2024, representing a CAGR of 56.0%, and China’s SiC epitaxial wafer market boosted from RMB0.5 billion in 2020 to RMB1.4 billion in 2024, representing a CAGR of 28.9%. During the same years, the global SiC power semiconductor device market expanded from US$0.6 billion in 2020 to US$3.2 billion in 2024, representing a CAGR of 49.8%, and the global SiC epitaxial wafer market grew from US$0.4 billion in 2020 to US$1.0 billion in 2024 at a CAGR of 27.6%. Looking ahead, China’s SiC power semiconductor device market is anticipated to maintain a high-speed growth trend, reaching approximately RMB31.1 billion by 2029, representing a CAGR of 44.9% from 2025 to 2029, and China’s SiC epitaxial wafer market is anticipated to expand to RMB5.8 billion by 2029 at a CAGR of 37.5%. Meanwhile, the global SiC power semiconductor device market is projected to reach US$15.8 billion by 2029, representing a CAGR of 40.5% from 2025 to 2029, and the global SiC epitaxial wafer market is expected to reach US$3.0 billion by 2029 at a CAGR of 28.4%, over the same years.

The global SiC power semiconductor device industry and the SiC epitaxial wafer industry are sunrise industries, given the high performance and diverse application scenarios of SiC power semiconductor devices. While the geopolitical environment may cause uncertainties, China’s SiC power semiconductor device market and SiC epitaxial wafer market are sufficiently wide to accommodate various PRC domestic players even amidst trade tension between China and other countries, such as the U.S. This is also supported by China's national industrial policy.

The third-generation semiconductor industry is a strategic emerging sector that receives encouragement and support from the government. To promote its development, various levels of government in China have implemented a series of policies aimed at supporting industrial growth. For instance, the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Term Objectives for 2035" emphasizes the promotion of wide-bandgap semiconductors, including SiC and GaN. Additionally, the "Guiding Opinions on Promoting the Development of the Energy Electronics Industry" advocates for the development of advanced wide-bandgap semiconductor materials for applications in photovoltaics, wind power, energy storage systems, and semiconductor lighting, as well as the advancement of topological structures, packaging technologies, and new power electronic devices. Furthermore, the "14th Five-Year Plan for the High-Quality Development of Manufacturing in Guangdong Province" clearly focuses on leveraging the foundational strengths of the industry value chain leaders, such as our Company in the area of SiC semiconductor sector, to enhance R&D and production of third generation semiconductor materials. The introduction of these policies provides a strong foundation for the organic and stable growth of the industry, facilitating improvements in technical capabilities and fostering rapid expansion of China's third-generation semiconductor sector.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors, and will help drive our growth in the future.

China's largest SiC epitaxial wafer supplier

We are the third largest China-based SiC epitaxial wafer manufacturer in terms of both revenue and sales volume generated from self-manufactured SiC epitaxial wafers from the global market in 2024, with a market share of 6.7% in terms of revenue and 7.8% in terms of sales volume. We are also the largest manufacturer of self-manufactured SiC epitaxial wafers in terms of both revenue and sales volume in the PRC market in 2024, with market share of 30.6% and 32.5%, respectively. During the Track Record Period, our revenue was mainly generated from the sales of self-manufactured SiC epitaxial wafers and the provision of certain value-added services related to SiC epitaxial wafers. In 2024 and for the five months ended May 31, 2025, we sold over 78,000 and over 77,000, respectively, epitaxial wafers (including our self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) and achieved a total revenue of RMB519.6 million and RMB256.8 million, respectively. As a third-generation semiconductor company in China, we have been advancing the SiC epitaxial wafer industry. As the SiC industry's mainstream epitaxial wafers evolve from 4-inch to 6-inch, with a growing trend towards 8-inch, we have advanced along with these developments. We achieved mass production of 4-inch and 6-inch SiC epitaxial wafers in 2014 and 2018, respectively, and possessed the capacity to mass produce

8-inch SiC epitaxial wafers in 2023. As of May 31, 2025, we possessed an annual production capacity of approximately 420,000 pieces of 6-inch and 8-inch epitaxial wafers, placing us one of the largest companies in China equipped with production capacity of 6-inch and 8-inch epitaxial wafers, according to Frost & Sullivan.

This strong market position highlights the trust our customers place in our products, which helps us maintain a high recurring rate of existing customers and provide confidence to new customers. Our dominant market position also strengthens our bargaining power with suppliers to negotiate better commercial terms, which helps us reduce procurement cost and enhances profitability. We often lead or participate in drafting domestic and international standards and take a lead role in cooperative R&D activities with reputable institutions. The leading position in the market also enables us to attract renowned investors to invest in us.

SiC is a compound of carbon and silicon and is classified as a wide-bandgap semiconductor material. Compared to traditional semiconductor materials like silicon, SiC, as one of the third-generation semiconductor materials, offers significant performance advantages. These include a larger bandgap, higher breakdown of electric field, greater thermal conductivity, higher electron saturation drift velocity, and strong radiation resistance. This makes it more suitable for high-voltage, high-temperature, and high-frequency environments. See "Industry Overview — Overview of Power Semiconductor Device Industry and SiC Power Semiconductor Device Industry — Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials." In terms of end-use applications, SiC epitaxial wafers are primarily used to manufacture various power devices. These devices are ultimately applied in sectors such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances. Among these, new energy vehicles are currently the most prominent application of SiC power devices. Over recent years, industries like new energy vehicles, particularly in China and globally, have experienced rapid growth, further establishing them as areas of competitive advantage. According to Frost & Sullivan, from 2020 to 2024, sales of new energy vehicles in China surged from 1.3 million units to 12.9 million units, achieving a CAGR of 77.7%. On a global scale, sales increased from 3.1 million to 18.2 million units over the same period, with a CAGR of 55.4%. By December 31, 2024, the number of new energy vehicles in China had reached approximately 31.4 million units. This rapid growth in the downstream market provides a robust foundation for the development of the SiC power semiconductor device industry as well as the SiC epitaxial wafer industry.

As performance demands for power devices in these fields continue to rise, SiC devices, due to their superior performance and reasonable costs, are becoming increasingly competitive compared to conventional silicon-based devices. According to Frost & Sullivan, China's SiC power semiconductor device market size grew rapidly from RMB0.9 billion in 2020 to RMB5.4 billion in 2024, representing a CAGR of 56.0%, and China's SiC epitaxial wafer market boosted from RMB0.5 billion in 2020 to RMB1.4 billion in 2024, representing a CAGR of 28.9%. During the same years, the global SiC power semiconductor device market expanded from US$0.6 billion in 2020 to US$3.2 billion in

2024, representing a CAGR of 49.8%, and the global SiC epitaxial wafer market grew from US$0.4 billion in 2020 to US$1.0 billion in 2024 at a CAGR of 27.6%. As the top supplier of third-generation SiC semiconductor materials, we have benefited from the rapid development of new energy-related industries in recent years both in China and globally, resulting in a significant increase in product shipments. During the Track Record Period, our sales volume (including epitaxial wafers manufactured by ourselves or foundries) grew from 44,515 pieces in 2022 to 130,702 pieces in 2023, but decreased to 78,928 pieces in 2024, mainly due to the change of market condition attributable to a decrease in our overseas sales which resulted from global trade tensions. Our revenue increased from RMB436.9 million in 2022 to RMB1,171.2 million in 2023, and subsequently decreased to RMB519.6 million in 2024. For the five months ended May 31, 2025, our business operations and financial performance have shown an upward trend. Our sales volume (including epitaxial wafers manufactured by ourselves or foundries) grew from 37,391 pieces for the five months ended May 31, 2024 to 77,709 pieces for the five months ended May 31, 2025. We recorded gross loss and net loss of RMB27.1 million and RMB114.8 million, respectively, for the five months ended May 31, 2024, and record gross profit and net profit of RMB57.8 million and RMB9.5 million, respectively, for the five months ended May 31, 2025.

The future of the SiC power semiconductor device industry as well as the SiC epitaxial wafer industry holds significant potential. The growth of new energy vehicles and other related fields is bolstered by strong industrial policies from the Chinese government. By 2029, sales of new energy vehicles in China are projected to reach 40.8 million units, accounting for around 80% of total new car sales in China in that year, with the total number of new energy vehicles expected to reach around 170.6 million units by the end of 2029. Chinese manufacturers of new energy vehicles are highly competitive in the global market and have international ambitions. These manufacturers typically prioritize using domestically produced SiC devices, which are highly cost-efficient. This preference provides us with vast growth opportunities in the future. According to Frost & Sullivan, China's SiC power semiconductor device market is expected to continue its rapid growth. By 2029, the market size is projected to approach RMB31.1 billion, with a CAGR of 44.9% from 2025 to 2029. On a global scale, the SiC power semiconductor device market is estimated to reach US$15.8 billion by 2029, with a CAGR of 40.5% over the same period. As a leading supplier of SiC epitaxial wafers with significant market share in China, we are well positioned to capitalize on these market opportunities and achieve sustained, rapid growth.

We align with national development strategies, focusing on building our own brands and independent R&D. We actively contribute to the self-reliance and self-improvement of China's SiC epitaxial wafer industry. Since our inception, we have been specializing in the research, development, production, and sale of SiC epitaxial wafers, continuously innovating and achieving numerous milestones. In our early years, we conducted technical research on high-voltage and ultra-high-voltage thick film epitaxy, becoming the first in China to master "fast thick film epitaxy technology," according to Frost & Sullivan. We achieved mass production and delivery of high-voltage and ultra-high-voltage thick film epitaxial wafers, establishing ourselves as a primary supplier to key players in the aerospace, smart grids, and rail transportation sectors. This has effectively secured the supply of high-voltage and ultra-high-voltage epitaxial wafers for critical areas under

China's independent control. At present, our expertise in thickness uniformity control, concentration uniformity control, defect control, and surface warpage control technologies remains at the forefront both in China and globally.

Building on the core links of the SiC power semiconductor device industry value chain, we are leading the development of the industry ecosystem and promoting the localization of each segment within China's SiC power semiconductor device industry. We believe this approach has laid a solid foundation for the sector's future growth. On one hand, as a leading supplier of SiC epitaxial wafers in China, we ensure a stable supply for major SiC power device manufacturers, effectively meeting the rising demand from downstream industries such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL), home appliances, and other strategic emerging sectors. On the other hand, we leverage our advanced technologies and large-scale epitaxial production capacity to actively collaborate on process verification and market introduction of domestic substrates, accessory consumables, and core equipment and machinery. This significantly advances the realization of domestic substitution in key areas of China's SiC power semiconductor device industry value chain, while actively promoting the national strategy of scientific and technological self-reliance.

Satisfactory product quality and performance recognized by large-sized customers

To deliver products with satisfactory quality and performance, we have placed high focuses on the quality control at various stages in the production cycle. On the supply end, the substrates and other raw materials are sourced from renowned suppliers both domestically and internationally. We employ advanced production technologies and implement stringent quality control measures throughout the production process. SiC power devices are primarily utilized in medium and high voltage applications, where safety and reliability standards are critically high. To meet these standards, we invest significantly in production processes, facilities, equipment, and reliability testing. Through independent R&D, we have mastered the key technologies and processes necessary for the entire SiC epitaxial wafer production cycle required to manufacture 600–30,000V unipolar and bipolar power devices. Our product range is comprehensive, featuring competitive metrics. Currently, we primarily offer 6-inch and 8-inch SiC epitaxial wafers and have accelerated mass production of 8-inch epitaxial wafers based on expected customers' demand.

The mass production of 8-inch SiC epitaxial wafers represents a significant advancement in both production technology and efficiency. Compared to a 6-inch epitaxial wafer, a 8-inch epitaxial wafer has 78% larger total usable area, which means approximately 90% more chips can be cut from such epitaxial wafer. The lower edge waste and higher yield rates associated with a 8-inch epitaxial wafer can significantly reduce average production cost per chip. However, the production process for 8-inch SiC epitaxial wafers, especially in areas like substrate growth, cutting, and oxidation, is notably more challenging. For instance, when expanding substrate diameter to 8 inches, the complexity of growth increases exponentially. Larger substrates also present greater issues related to cutting stress and warpage, while the oxidation process remains a core challenge in SiC production. The requirements for airflow and temperature field control differ between

8-inch and 6-inch substrates, necessitating the development of independent processes. We have invested substantial resources in developing the 8-inch SiC production process and establishing mass production capabilities. This endeavor entails significant technical and financial barriers, making it difficult for competitors to achieve similar expertise in the short term. According to Frost & Sullivan, as of December 31, 2024, there were no more than ten companies worldwide with well-developed 8-inch SiC epitaxial technology, and we were one of the only five companies in China to achieve this milestone.

The key performance indicators of SiC epitaxial wafers include thickness uniformity, thickness tolerance, concentration uniformity, concentration tolerance, and warpage. Leveraging our industry-recognized technologies in thickness uniformity control, concentration uniformity control, defect management, and surface warpage control, our products achieve excellent performance metrics that meet the application requirements for medium, high, and ultra-high voltage fields. We are the first SiC epitaxial wafer company in China to obtain certification for the automotive quality management system (IATF16949), according to Frost & Sullivan.

With our satisfactory product quality, delivery capabilities, and service, we have gained widespread recognition from customers both domestically and internationally. Currently, we serve as one of the primary SiC epitaxial wafer suppliers for major domestic SiC device manufacturers across various sectors, and are also a supplier for global leaders in the SiC power device market. We have integrated into the supply chains of key customers and maintain good, stable relationships with them, allowing us to rapidly expand our customer network. In 2022, 2023 and 2024 and for the five months ended May 31, 2025, we added 31, 38, 23 and 18 new customers to our sales network, respectively. As of May 31, 2025, our total customer base reached 331, which includes customers engaging in production and sales of semiconductor chips and other related products such as fab companies, and customers engaging in R&D of semiconductor chips such as fabless companies, universities and research institutes. In recent years, we have progressively expanded into overseas markets, steadily increasing our number of high-quality international customers. We added three, seven, one and six new overseas customers in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively. The proportion of our sales revenue from customers from countries and regions outside the PRC was 12.6%, 44.2%, 8.6% and 0.5% in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively. These customers primarily hail from Hong Kong, South Korea, Japan, and Europe, many of which are leading companies in their industries with substantial purchase volumes, providing us with sustained and significant income. The excellent quality and world-leading performance of our products is also evidenced by our low product return rate.

The verification and introduction cycle for SiC material device products is relatively lengthy, leading to high customer loyalty. SiC epitaxial growth is primarily directed at device manufacturers, requiring collaboration with epitaxial manufacturers for production processes and technical parameter adjustments. To ensure the consistency and reliability of chip products, as well as the security and stability of the supply chain, device manufacturers are generally reluctant to switch epitaxial wafer suppliers. The deep integration of our products with the downstream applications of these customers fosters long-term cooperation. Through stable, long-term relationships with our customers, we have gained valuable insights into their specific application scenarios. Our continuously iterated products emphasize not only design, structure, and functionality but also manufacturability, reliability, performance, and product lifecycle planning, all aimed at supporting our customers' success in their respective markets.

Established business model and stable production capacity

With comprehensive insight in business management, we have an established business model that meets industry needs. Different downstream customers have varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs and foster the acquisition of new customers, we implement a sales model that prioritizes direct sales while using distribution as a supplementary channel. We primarily adopt a sales volume-based production model, and our procurement strategy emphasizes production based on procurement, with appropriate reserves. This approach enhances our ability to manage procurement and inventory effectively.

We have established a marketing team responsible for product sales. Given the nature of the industry, we primarily engage in direct sales to targeted customers, employing the distributor model only in select cases, such as when expanding our reach to specific overseas clients. According to our marketing strategy, our team develops customer relationships through various channels, including exhibitions, forums, online media, emails, phone calls, and on-site visits. Our sales network covers multiple provinces in China, and extends to various other countries or regions, the major of which include Hong Kong, South Korea, Japan, and Europe. We conduct internal reviews and benchmark responses based on customer specifications, followed by product sample verification. Once a product passes verification, we negotiate and sign a business contract with the customer to confirm the order quantity. Our production center formulates production plans based on production capacity, equipment status, and sales forecasts. Following approval from the head of the manufacturing department and the head of the production center, the production plan is issued to the manufacturing department, which organizes production according to the approved plan and technical requirements to fulfill production tasks. We enforce strict quality control and conduct comprehensive product testing and inspections to ensure high standards of product quality.

We have established stable production capacity, which enables us to achieve economies of scale. Our production base is located in Dongguan, Guangdong province, serving customers across China and internationally. Our current production base at our headquarters in Dongguan covers a GFA of approximately 35,978 sq.m., primarily focusing on the production of 6-inch SiC epitaxial wafers. Additionally, we have acquired a piece of land in the Ecological Park production site based in Dongguan, Guangdong province, laying the groundwork for future capacity expansion. We have completed construction of the new production base on this land, which will be put in use by the end of 2025. Our Ecological Park production site includes office areas, factories, R&D buildings, dormitories, and other supporting facilities. See "— Production — Production Bases." We are currently the largest producer of 6-inch SiC epitaxial wafers in China, and possessed the capability of mass production of 8-inch SiC epitaxial wafers. As of May 31, 2025, our existing headquarters production base possessed an annual production capacity of approximately 420,000 pieces of SiC epitaxial wafers. We expect that our new Ecological Park production base, will, once all equipment and necessary technical personnel are in place and subject to actual downstream demands, bring an additional annual planned production capacity of approximately 380,000 pieces of SiC epitaxial wafers within 2025, making our total annual planned production capacity to approximately 800,000 pieces of SiC epitaxial wafers. As production capacity would be one of the key consideration factors in order to assess the overall competence of the suppliers by their downstream customers, we believe this large-scale production will effectively reduce unit product costs, enhance our profit margins, and maintain our market competitiveness.

In terms of production equipment, we have established long-term and stable partnerships with major domestic and international SiC epitaxial equipment manufacturers. We actively collaborate with these companies to enhance equipment performance and production efficiency. We have adopted necessary systems and supporting testing equipment to ensure rigorous quality control of our products while also providing testing services for third-party companies. At the same time, we support the verification and R&D of epitaxial equipment for leading domestic semiconductor manufacturers, promoting the localization of related equipment and laying the groundwork for future supply stability and cost reduction. Regarding raw material supply, we have forged deep relationships with key suppliers of essential raw materials, particularly conductive SiC substrates, and have signed long-term agreements to secure substrate availability and ensure supply chain stability. Our stable supply channels are bolstered by over a decade of experience in R&D and production of SiC epitaxial wafers. This expertise allows us to cultivate customer confidence through guaranteed production capacity while capitalizing on emerging market opportunities.

Industry-recognized technologies in key areas and continuously iterated production processes

The SiC epitaxial wafer industry is a highly technology-intensive sector with stringent demands for production technology, machinery and equipment, process flow, and working environments. The performance of SiC epitaxial wafers is primarily determined by factors such as thickness, defect density, and doping concentration. The epitaxial thickness directly influences the voltage withstand capability of SiC devices; as this capability increases, a thicker epitaxial layer is required, making the growth process more complex. As epitaxial thickness increases, stress accumulates within the epitaxial wafer, leading to an exponential rise in defect scale, which can significantly reduce chip yield rate. Additionally, thick film epitaxy typically requires lower doping concentrations, making it more challenging to control uniformity compared to conventional thickness products. We have developed industry-recognized technologies in concentration uniformity control and defect density management. See "— Our Competitive Strengths — Satisfactory product quality and performance recognized by large-sized customers."

In key technical areas such as high-voltage and ultra-high-voltage epitaxial thickness and radiation resistance, we have reached the technical standards of global industry leaders through independent research and development. According to Frost & Sullivan, we led the development of the first domestic industry standard for SiC epitaxial thickness and became the first company in China to achieve mass production and delivery of high-voltage and ultra-high-voltage thick-film epitaxial wafers. In the high-voltage domain, our product advantages are particularly noteworthy. We have mastered key technologies such as "zero BPD dislocation" in epitaxial growth, low defect density, and high concentration uniformity. These advancements have solidified our industry position and earned us the privilege of being a primary supplier to high-voltage customers in sectors such as rail transit. In the ultra-high-voltage field, we have also made remarkable progress, and successfully developed 4H-SiC thick-film rapid epitaxial growth technology. Among these innovations, the minority carrier lifetime is a critical metric for assessing the quality of thick-film epitaxy. By employing advanced techniques, we have successfully extended the minority carrier lifetime of epitaxy to 7 to 9 microseconds, which is a leading achievement in the industry, according to Frost & Sullivan. In 2014 and 2015, we produced high-quality SiC epitaxial wafers with thicknesses of 100 microns (supporting a blocking voltage of over 10,000 volts) and 200 microns (supporting a blocking voltage of over 20,000 volts), respectively. These accomplishments provide robust support for customers in industries such as smart grids.

According to Frost & Sullivan, our product performance is recognized as being at the international leading level. The following metrics compare our performance with those of well-known domestic and international peers.

- ***Epitaxial layer thickness***

  o ***Thickness range:*** The voltage resistance performance of SiC power devices is closely correlated with the thickness of their epitaxial layer. Different power devices have specific requirements for epitaxial layer thickness, which are primarily customized based on the voltage application scenario. For epitaxial materials used in conventional devices, the voltage levels typically range from 650V to 3,300V. These devices feature thinner epitaxial layers, usually about 5 to 30 microns, to meet the demands of conventional power electronics applications. In contrast, epitaxial materials used in high-voltage and ultra-high-voltage devices operate at voltage levels as high as 3,300V to 20kV. These devices require thicker epitaxial layers, ranging from 30 to 200 microns, to address the challenges posed by high-voltage and ultra-high-voltage application scenarios. Our products offer a broad thickness range of 0.2 to 300 microns, surpassing the thickness range of mainstream industry products, which is typically 0.1 to 250 microns, according to Frost & Sullivan. It highlights our technology edge in epitaxial material used in ultra-high-voltage devices.

- o ***Thickness uniformity:*** Thickness uniformity refers to the deviation of the actual thickness of the epitaxial wafer from the average thickness. Smaller uniformity deviation indicates higher product quality. Our products achieve a thickness uniformity deviation of ≤2%, placing us in a leading position compared to the mainstream industry range of ≤2% to ≤5%, according to Frost & Sullivan.

- ***Doping concentration***

  - o ***Doping concentration range:*** The functional design of SiC power devices is closely linked to doping concentration. Different power devices require specific doping types and concentrations, and a wider range of doping concentration facilitates the realization of various device designs. Our products offer a wide doping concentration range of 1E14 to 2E19 cubic centimeters, which surpasses the mainstream industry range of 1E14 to 1E19 cubic centimeters, according to Frost & Sullivan. It showcases our significant strengths in doping technology. In 2012, we successfully developed multi-layer composite doped epitaxy and became the first in China to commercialize SiC bipolar device materials. This milestone achievement has not only solidified our leadership in SiC power device technology but also provided us with a competitive edge in the future market while establishing a strong foundation for sustained growth.

  - o ***Doping concentration tolerance:*** Doping concentration tolerance refers to the range of actual fluctuations in doping concentration relative to the customer's target. A smaller doping concentration tolerance indicates higher epitaxial quality. Our products achieve a doping concentration tolerance of ±5%, placing us in a leading position compared to the mainstream industry range of ±6% to ±20%, according to Frost & Sullivan.

  - o ***Doping concentration uniformity:*** Doping concentration uniformity refers to the deviation of the actual doping concentration of the epitaxial wafer from the average doping concentration. Lower uniformity deviation indicates higher product quality. Our products achieve a doping concentration uniformity deviation of ≤3%, positioning us as a leader compared to the mainstream industry range of ≤3% to ≤10%, according to Frost & Sullivan.

- ***Epitaxial quality***

  - o ***Chip yield rate:*** The epitaxial output usable area refers to the portion of epitaxial wafers suitable for manufacturing transistors and other devices, produced through epitaxial growth technology during the semiconductor manufacturing process. Yield rate is a critical metric for evaluating this production stage, as it directly impacts the performance and quality of the final product. A higher chip yield rate indicates a greater success rate in producing transistors that meet specifications and deliver stable performance during actual production. Our products achieve a chip yield rate of ≥99%, exceeding the mainstream industry range between 90% and 98%, according to Frost & Sullivan. It showcases our leading edge and exceptional expertise in semiconductor manufacturing technology.

- o ***Minority carrier lifetime:*** Minority carrier lifetime is a critical metric for assessing the quality of thick-film epitaxy. A longer minority carrier lifetime indicates higher product quality. We have developed a method for evaluating minority carrier lifetime. By optimizing the epitaxial growth process, we have achieved an intrinsic recombination minority carrier lifetime for thick epitaxial materials that far exceeds the industry average, reaching over 1.5 μs. Additionally, by employing auxiliary techniques, we have further increased the minority carrier lifetime to over 7 μs, which is at an international leading level, according to Frost & Sullivan.

We have been consistently investing in innovation in our production processes over the years, conducting R&D focusing on the industrialization of SiC epitaxial wafers, epitaxial wafer growth technology, and epitaxial wafer cleaning technology. These efforts have led to advancements in key technologies such as 8-inch SiC epitaxial technology, multi-layer epitaxial technology, and rapid thick film epitaxial technology. The main production processes for SiC epitaxial wafers include epitaxial growth, product testing, and product cleaning, with epitaxial growth being the core link that significantly impacts product quality and performance. Through years of R&D investment and practical production experience, we have mastered the complete process required to manufacture SiC epitaxial wafers, continuously optimizing and innovating our production techniques.

In the epitaxial growth phase, we utilize our independently developed multi-layer epitaxial technology, rapid thick film epitaxial technology, epitaxial temperature field control technology, and ultra-high uniformity large-area epitaxial technology. These innovations enable us to effectively control defects, thickness, doping concentration, roughness, and flatness of the epitaxial wafers, thereby enhancing product quality and performance. During the grinding and polishing process of the epitaxial wafers, we employ our proprietary epitaxial wafer thinning technology, back processing technology, and advanced grinding and polishing techniques. These methods effectively eliminate surface defects, improving the flatness of the epitaxial wafers. In the cleaning phase, we apply our independently developed SiC chip cleaning technology. By optimizing the cleaning process, we achieve higher cleaning efficiency and better results in a shorter timeframe compared to traditional cleaning technology.

Our R&D team is dedicated to the research, parameter testing, industry incubation, and talent training of new semiconductor materials. Since our inception, we have helped establish several key institutions, including the Guangdong Engineering Research Center, Guangdong Enterprise Technology Center, Guangdong Third Generation Semiconductor SiC Epitaxial Materials Engineering Technology Research Center, Guangdong Postdoctoral Innovation Practice Base, Guangdong Doctoral Workstation, and Dongguan Third Generation Semiconductor SiC Epitaxial Materials Key Laboratory. These initiatives have cultivated a high-level R&D team and resulted in numerous significant advancements. As of May 31, 2025, we held 33 authorized invention patents and 51 authorized utility model patents. We have undertaken or participated in three national key R&D plan projects and seven provincial and municipal key R&D projects. Moreover, we have led or contributed to the drafting of one international standard, 13 national standards, 12 group standards, and four enterprise standards.

Our scientific research capabilities enable us to earn various honors, including designation as a national high-tech enterprise and accolades such as the national essential "Little Giant," "First Prize of the Science and Technology Progress Award in the Guangdong Province Electronic Information Science and Technology Award," "Guangdong Province Excellent High-tech Products," "Dongguan Top 100 Innovative Enterprises," and "Dongguan's Leading Enterprise in High-Quality Development." See "— Awards and Recognition." We place great emphasis on continuous R&D. As of May 31, 2025, our R&D team consisted of 94 members, accounting for over 10% of our total workforce, with nearly 80% holding a bachelor's or higher degree. In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, our R&D expenses was RMB29.2 million, RMB55.3 million, RMB61.0 million, RMB30.3 million and RMB19.9 million, respectively, accounting for 36.7%, 39.1%, 31.6%, 28.8% and 47.8% of our operating expenses (including our selling and distribution expenses, administrative and other operating expenses and research and development expenses) for the respective years. We anticipate maintaining this level of investment in the foreseeable future.

Sophisticated management and highly experienced staff team

We have a sophisticated management team, led by Mr. Li Xiguang, the co-founder and chairman. With many years of experience in the semiconductor industry, Mr. Li has held senior executive positions at various semiconductor and electronic product companies and has received the Guangdong Electronic Information Science and Technology Award. He is responsible for our long-term development planning, business objectives, and policies, providing guidance on key issues that impact our strategic direction. See "Directors, Supervisors and Senior Management — Directors — Executive Director." Our deputy general manager and head of R&D department, Mr. Han Jingrui, joined us in April 2011 and has extensive experience in the R&D of SiC epitaxial wafers. He has led the R&D of several key technological advancements for industrialization, including the optimization of pit defects in multi-layer thick epitaxial materials, improvements in stacking fault defects, enhancements in minority carrier lifetime for thick epitaxial materials, and reductions in particle defects on the surface of 6-inch epitaxial wafers. Mr. Han has published three academic papers, participated in eight national, provincial, and municipal scientific and technological projects, and filed for 20 invention patents and 18 utility model patents. He has also contributed to the formulation of one national standard and has received multiple science and technology progress awards in Guangdong.

We have a dedicated team of employees encompassing all key functions, including R&D design, manufacturing, marketing, and service support. They are committed to our mission and vision, and their enthusiasm aligns closely with our corporate culture. We place great importance on talent development and has established a comprehensive training system tailored to different positions, fostering collaboration and communication among teams. To keep the R&D team attuned to market trends and advancements in technology, we frequently organize external learning exchanges. Additionally, we have implemented an effective incentive mechanism to reward employees for their achievements and contributions in R&D, encouraging all team members to engage in technological innovation. To protect our key technologies, we also implement measures to appropriately constrain key personnel, including confidentiality agreements.

OUR STRATEGIES

We are devoted to the SiC epitaxial wafer industry, and endeavor to achieve this vision through the following aspects.

Expand production capacity to match market demand

Strong production capacity is essential for effectively fulfilling customer orders, serving as a core component of our competitive advantage. To better get prepared for the potential market demand for SiC products, especially 8-inch SiC epitaxial wafers, we plan to expand our production capacity. Specifically, our production base at the Ecological Park site, the construction of which has been completed and which will be put in use by the end of 2025, will enhance our production capacity for 8-inch SiC epitaxial wafers. We expect to purchase equipment and machinery for establishment of production lines, decorate and establish the supporting systems at the production base, and recruit qualified personnel. See "Future Plans and Use of Proceeds — Use of Proceeds." Following the completion of our Ecological Park production base, which is projected to bring an additional annual planned production capacity of 380,000 pieces within 2025, we expect that our total annual planned production capacity may increase to approximately 800,000 pieces of SiC epitaxial wafers. Additionally, depending on the actual demand, we preliminarily plan to expand our production capacity in Southeast Asia to better serve our overseas customers.

With robust production capacity, we can significantly enhance product sales, expand our market share, and maintain our leadership position in the SiC epitaxial wafer industry. Additionally, we will accelerate the refinement of our production processes to optimize capacity utilization and efficiency.

Continue to invest in R&D to promote technological innovation and enrich product portfolio

To strengthen our leadership in the SiC epitaxial wafer industry, we must continue investing in R&D, fostering technological innovation, and expanding our product portfolio. In response to rapidly evolving technologies and processes, we are dedicated to accumulating expertise in SiC semiconductor manufacturing and enhancing our product performance and technological barriers. For instance, we are focused on developing SiC epitaxial wafers with thicknesses ranging from 100 to 300 microns, while continuously optimizing epitaxial layer quality, reducing the density of microscopic defects, and increasing minority carrier lifetime to meet the requirements for manufacturing devices such as IGBTs rated above 10,000 volts. At the same time, we are committed to optimizing various production processes to improve product yields. Additionally, we are advancing graphic epitaxial technology for superjunction devices to enhance specific on-resistance performance, carbon surface epitaxial technology to boost saturated electron mobility, and epitaxial technology based on bonded substrates to increase the chip yield rate of monolithic SiC epitaxial wafers.

We plan to increase our investment in R&D infrastructure, primarily including purchasing R&D equipment, relevant software and semiconductor materials, expanding our R&D team, and sample testing. See "Future Plans and Use of Proceeds — Use of Proceeds."

Our R&D efforts consistently follow the development strategy of mass production, research and development, and innovation reserves. While continuously advancing, optimizing, and enhancing our existing, mass-produced SiC semiconductor materials, we aim to leverage our successful experience with third-generation semiconductor materials to broaden our R&D focus. This expansion includes semiconductor materials such as gallium arsenide, indium phosphide, and gallium nitride, which hold immense market potential in AI and cloud computing platforms. Furthermore, we plan to extend our R&D to next-generation (fourth-generation) power semiconductor materials, such as gallium oxide. Through advancements in bonding process technology, diamond — recognized as the "ultimate semiconductor material" — will be incorporated into our compound semiconductor composite material R&D system. These initiatives will be realized via a compound semiconductor pilot verification platform, which we are planning to establish. This platform will act as a crucial bridge between experimental research and large-scale production, attracting world-class technical teams and start-ups to Dongguan to collaborate on R&D for compound semiconductor materials. Additionally, it will help us sustain our technological edge in the field of compound semiconductors, enabling us to address the most cutting-edge market challenges with confidence over the long term.

We also plan to continue enhancing our product portfolio to meet the diverse needs of our customers. By considering the product iteration cycles and application requirements of our downstream clients, we aim to improve product compatibility and expand our offerings. Our planned production lines will support the mass production of 6-inch and 8-inch SiC epitaxial wafers, thereby further reducing manufacturing costs. We intend to expand our 8-inch SiC epitaxial product lines and scale up mass production. Additionally, we will seek to broaden the downstream applications of our products in sectors such as communications, optical storage, consumer electronics, and high-end equipment.

Deepen customer relationships and expand cooperation ecosystem

We intend to deepen customer relationships and expand our cooperation ecosystem. Our existing clients include major domestic and international SiC device manufacturers across various sectors, including new energy industries, rail transportation, smart grids, general aviation and home appliances. Focusing on customer needs is essential for maintaining long-term partnerships. We actively listen to feedback from these valued customers and optimize our products and services to meet their diverse requirements, thereby enhancing customer loyalty. In response to evolving market trends, we will also broaden our cooperation ecosystem and promote the application of our products and technologies in new scenarios, such as 5G base stations, data centers, lidar, and home appliances. We are committed to aligning the development direction of our products with the strategic goals of our customers to create mutual value.

We also aim to acquire new customers domestically and internationally to further expand our customer base. Our sales team will conduct thorough market research and analyze relevant data to identify suitable target customers strategically. We will focus on expanding our relationships with fab companies transitioning from silicon-based to SiC technologies, as well as fabless companies planning to establish manufacturing bases. By collaborating with potential customers on new technical challenges, we hope to build strong cooperative relationships throughout the process. Additionally, we will actively participate in industry exhibitions to enhance brand promotion and engage with potential customers — both direct sales customers and distributors — establishing long-term business relationships through our high-quality products and services. Geographically, we intend to develop strong customer relationships and further penetrate into countries and regions beyond Chinese Mainland, including Europe, Malaysia, South Korea, and Japan. To support our overseas expansion, we are enhancing our international sales platform and recruiting marketing personnel with overseas expertise. Initially, we plan to establish three sales center in Malaysia, Japan and Italy, and recruit proper sales and marketing personnel to conduct marketing activities. See "Future Plans and Use of Proceeds — Use of Proceeds." In some new markets, we will also consider partnering with influential local distributors.

Seek strategic investments and acquisitions when appropriate

As our business develops, we will actively pursue strategic investments and acquisitions of teams, assets, and companies to enhance our technological capabilities. In evaluating potential targets for investment and acquisition, we primarily assess factors such as their technological expertise, R&D and management team composition, customer base, and financial stability. Our focus will be on companies that possess unique advantages or differentiation in epitaxial production process technologies involving compound semiconductor material, such as gallium nitride, gallium oxide, gallium arsenide, and indium phosphide, as we believe such companies possess production technologies or new materials that are complementary to our business operations. For details of our criteria of choosing potential investment and acquisition opportunities, see "Future Plans and Use of Proceeds — Use of Proceeds." Through these strategic investments and acquisitions, we aim to efficiently expand our technology portfolio, improve product quality, and broaden our market access, thereby accelerating our revenue growth.

Continue to recruit industry elites and build talent pool

We place a high value on investing in human resources. We will continue to recruit top R&D talents with deep expertise and practical experience in key technology fields through various channels, such as collaboration with universities and provincial-level of technology innovation platform as well as lateral hiring, to build a strong talent pool. Additionally, we prioritize the internal training of our R&D personnel, utilizing a variety of training resources, including both internal and external courses, to enhance employees' professional skills and provide diverse career development paths. We offer market-competitive salary and benefits packages to attract and retain exceptional talent in the industry, thereby consolidating and advancing our technological advantages. Furthermore, to drive business growth, we will also recruit experienced sales and marketing professionals. See "Future Plans and Use of Proceeds — Use of Proceeds."

CHALLENGES TO OUR INDUSTRY AND OUR BUSINESS

Analysis on Historical Financial Performance

During the Track Record Period, we experienced a strong business growth in 2022 and 2023, with our revenue increasing from RMB436.9 million in 2022 to RMB1,171.2 million in 2023; our revenue decreased to RMB519.6 million in 2024 for the reasons as explained below. Our gross profit decreased significantly from RMB216.6 million in 2023 to a gross loss of RMB374.4 million in 2024. As a result, we recorded a net loss of RMB500.3 million in 2024 as compared to a net profit of RMB95.9 million in 2023.

We believe our significant drop on the financial performance in 2024 as compared to 2023 is principally due to the following major factors:

- ***Decrease in the market price of SiC epitaxial wafers and substrates due to temporary industry oversupply and product iteration***

  According to Frost & Sullivan, the market price of SiC epitaxial wafers and substrates, which are our core raw materials, in global and China's markets kept falling. Such situation is primarily due to the industry oversupply in the semiconductor industry in recent years, especially 4-inch and 6-inch SiC epitaxial wafers. In the past few years, the industry used to experience a shortage of supply of 4-inch and 6-inch SiC epitaxial wafer-related inventories, and the SiC material manufacturers correspondingly decided to accelerate the expansion of their production capacity to cater for such shortage and strong demand visibility. However, such oversupply is expected to normalize as downstream demand recovers and excess inventory is absorbed, and while the demand on the SiC epitaxial wafers is still increasing, many of SiC material manufacturers have adopted the price reduction approach in order to maintain market competitiveness, which has resulted in decrease in the market price before the market supply-demand relationship is back to stable. Other than industry oversupply, product iteration may also affect the market prices of SiC epitaxial wafers and substrates. For example, when 6-inch SiC epitaxial wafers are widely accepted by the downstream customers, the market demand for 4-inch SiC epitaxial wafers would consequently decrease given that 6-inch SiC epitaxial wafers have a larger total usable area. See "Industry Overview — Overview of China and Global SiC Epitaxial Wafer Markets — Average Selling Price Trends of Substrates and SiC Epitaxial Wafers" for more details of actual and estimated global and China's average prices of 4-inch, 6-inch and 8-inch SiC epitaxial wafers from 2020 to 2030. As such, on one hand, the ASP of our products generally followed the decreasing trend resulting in lowering our revenue. On the other hand, the aforesaid decreasing trend in market prices might also result in the provision for write-down of inventories causing the increase in the cost of sales.

- ***Facing the global trade tension***

In recent years, policy changes in the globe as well as the global trade tensions have led to fluctuations in the global sales composition. Recent developments in U.S.-China trade relations, including proposed increases in tariffs on certain Chinese imports such as semiconductors, have added to the geopolitical uncertainties facing the global semiconductor industry. Our overseas sales decreased by 91.4% from RMB518.3 million in 2023 to RMB44.8 million in 2024. In particular, the sales to Customer J decreased from RMB491.8 million in 2023 to RMB36.0 million in 2024. Customer J, a subsidiary of a U.S. listed company, reduced its purchase from us in the first half of 2024 and generally no longer made purchases from us in the second half of 2024, which we understand from Customer J that it was primarily attributable to its adjustment of internal procurement policy which resulted from changes in U.S. trade policy affecting certain semiconductor imports from China, and Customer J will maintain business relationship with us when its procurement policy allows in the future, as our products could meet its requirements. See "— Sales and Marketing — Our Customers" for details of our transactions with, and the background of, Customer J. Although we will not limit our customer selection to non-U.S. entities or entities without a U.S. background, it is possible that we may encounter practical difficulties when trying to secure business opportunities from potential customers with a U.S. background in view of the recent developments in U.S.-China trade tensions. Meanwhile, we have focused on the PRC market to minimize the negative impact from such tensions, as demonstrated by our major revenue contribution from PRC customers during the Track Record Period, which accounted for 87.4%, 55.8%, 91.4% and 99.5% in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively.

Besides, we purchased a substantial portion of raw materials from Supplier A, amounting to RMB149.7 million, RMB363.7 million and RMB239.9 million in 2022, 2023 and 2024, respectively, accounting for 53.4%, 34.4% and 51.0% of our total purchases in the respective years. Supplier A is a U.S.-incorporated company, and remained our largest supplier in 2022, 2023 and 2024. We did not make any purchase from Supplier A for the five months ended May 31, 2025. With an expectation that the downstream demand would continue to be rising in 2024, we planned and reserved sufficient raw materials ahead in the fourth quarter of 2023 to meet the anticipated downstream demand. Considering the retrieval demand from downward customers, the high quality of raw materials supplied by Supplier A and our long-term amicable relationship with it, we purchased a substantial amount of SiC substrates from Supplier A in the Track Record Period. Consequently, we stocked up on excess inventory, especially with Supplier A taking up a large percentage. Our purchase of a substantial amount of SiC substrates from Supplier A, especially those in 2023, has adversely affected our cash flow utilization and inventory level in 2024. See "— Procurement and Supply — Our Suppliers — Major Suppliers — Relationship with Supplier A." Despite that we did not make any purchase from Supplier A for the five months ended May 31, 2025, we do not expect our relationship with Supplier A to be materially adversely affected by the recent developments in U.S.-China trade relations, as our temporary termination of purchasing from Supplier A was primarily due to our cost considerations.

In response to these uncertainties and fluctuations, the PRC government has considered or implemented countermeasures, including potential tariff adjustments on U.S.-origin goods. The overall situation remains fluid, and we are actively monitoring these developments and continue to evaluate the potential risks to our supply chain and customer relationships. Although most of our key suppliers and customers are based in Chinese Mainland, we may engage in transactions with overseas customers based on our expansion plans, who might be impacted by current or future trade measures. Given the evolving and uncertain nature of international trade policies, we cannot assure that such risks will not further worsen in the future, including disruptions to procurement, customer demand, or cross-border transactions. For details, please 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 international trade policies and international export controls and economic sanctions" in this prospectus.

In addition to such uncontrollable factors which may continue to persist in the future, we believe the following major challenges may continuously affect our business operations:

- ***Encountering difficulties in entering framework sales agreements with price or quantity commitment***

  In view of the decreasing trend on the market price of SiC epitaxial wafers, certain customers may prefer to place the purchase orders with us with a rather short notice which provide the required quantity of products instead of entering into framework sales agreements with price or quantity commitment. We believe such short notice arrangement may enable the customers to enjoy the flexibility of procurement with a view to minimizing the price risk. According to Frost & Sullivan, such arrangement is in line with the industry norm. However, it brings greater uncertainty to the pricing and sales volume of our products, and makes it more difficult for us to manage production and supply chain logistics. Despite the difficulties in entering framework sales agreements with price and quantity commitments, we were able to enter into such framework sales agreements with customers and have a backlog of expected sales volume to be generated from our framework sales agreements as of May 31, 2025 and September 30, 2025, respectively. For details, see "— Challenges to our Industry and our Business — Our Strategies to Tackle the Challenges — Improve operational efficiency and capital management."

- ***Expansion of the production capacity***

  Although the suppliers of SiC epitaxial wafers in China are facing various challenges, the suppliers would still ramp up their production capacities to cater for the potential market demand as the global and China demand on the SiC power semiconductor devices are expected to have rapid development driven by the downstream markets such as new energy vehicles and 5G communications. Despite the temporary low utilization rate of our headquarters production base, we have decided to expand our production capacity as we have perceived robust growth prospects in the downstream sectors. See "— Challenges to Our Industry and Our Business — The Development of the SiC Epitaxial Wafer Industry — Growing Prospects in Downstream Sectors" and "Industry Overview — Overview of China and Global SiC Epitaxial Wafer Markets — Trends of China SiC Epitaxial Wafer Industry — Continuous Expansion of Manufacturers' Production Capacity to Meet Growing Market Demand." Without planning and investment ahead, we may fail to keep pace with anticipated market growth and miss out the 8-inch SiC epitaxial wafer market. Despite the temporary low utilization rate of our headquarters production base, we believe the expansion of production capacity would still be economically justified when economies of scale is reached. According to Frost & Sullivan, production capacity would be one of the key consideration factors in order to assess the overall competence of the suppliers by their downstream customers. In particular, we received a request from one of our top five customers during the Track Record Period to provide a guarantee on the required level of production capacity to be allocated to it for our monthly provision of 8-inch SiC epitaxial wafers. Such guarantee sets out our five-year production capacity plan from 2024 to 2028, among other matters, to achieve an annual production capacity of over 800,000 pieces of SiC epitaxial wafers in 2026. Given that the SiC material manufacturers may lower the selling price to enhance their competitiveness before the market supply-demand relationship is back to stable, it may cause certain manufacturers without strong market position and financial capability to be unable to survive. As such, it is expected that the market will become more concentrated. According to Frost & Sullivan, in anticipation of the future demand especially after the market consolidation, SiC material manufacturers with strong financial strength would plan to increase their production capacity, in order to seize business opportunities, achieve economy of scale and further strengthen their market position. To keep abreast with the latest market trend, solidify our industry position and gain as much market share as possible, it is unavoidable for us to consider expanding our production capacity, which might lead to an increase in our capital expenditures.

- ***Long cash conversion cycle and liquidity mismatch***

  During the Track Record Period, we noted that it took us long time to turn inventories into cash in our operation primarily due to the inventory stockpiling since 2024 as a result of significant decline of sales performance in 2024, and the lengthening of settlement of our trade receivables from our downstream customers due to their worsening operational performance.

In general, the credit period we granted to our downstream customers ranged from 15 days to 180 days, while the credit period granted by our SiC substrates suppliers was 30 days to 90 days. Our trade receivables turnover days were 115 days, 87 days, 199 days and 172 days for 2022, 2023 and 2024, and five months ended 31 May 2025, respectively. Our trade payables turnover days were 66 days, 50 days, 70 days and 99 days, for 2022, 2023 and 2024, and five months ended 31 May 2025, respectively. The gap between the trade receivables turnover days and trade payable turnover days may result in liquidity mismatch. See "Financial Information — Discussion of Certain Items of Statement of Financial Position — Inventories", "Financial Information — Discussion of Certain Items of Statement of Financial Position — Trade and Bills Receivables" and "Financial Information — Discussion of Certain Items of Statement of Financial Position — Trade and Bills Payables".

In light of our long cash conversion cycle and the liquidity mismatch, we have taken measures to better manage our working capital. See "— Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve operational efficiency and capital management".

Our Strategies to Tackle the Challenges

In response to the current challenges in our industry and our business, we plan to implement the following strategies to cope with the price drop challenges, substantially increase our revenue, enhance our operational efficiency and improve our profitability:

Expand customer base and increase sales volume

A growing number of customers is expected to drive our business growth. Therefore, we intend to expand our customer base and further increase sales volume and revenue by way of (i) entering into strategic cooperation agreements or framework sales agreements and enhancing customers' stickiness; (ii) deepening our market position in China; (iii) penetrating into, and extending our footprint in, key overseas countries and regions; and (iv) expanding our product portfolio.

- *Entering into strategic cooperation agreements or framework sales agreements and enhancing customers' stickiness.* From January 1, 2025 and up to September 30, 2025, we had successfully entered into three strategic cooperation agreements, which set forth the parties' intent to cooperate in the future without specifying any estimated procurement volume. During such period, we had also received actual purchase orders for more than 900 pieces of SiC epitaxial wafers with customers who have signed such strategic cooperation agreement with us. While most do not include binding purchase commitments, they demonstrate customers' recognition of our technical capabilities and their intention to continue procuring from us upon completion of downstream validation. In this way, such agreements play an important role in enhancing customer stickiness, particularly given the lengthy qualification cycles and high switching costs in the SiC industry.

In addition to our strategic cooperation agreements, we enter into framework sales agreements with some customers, which typically contain the following two types:

- o *Framework sales agreements with initially agreed purchase volumes and prices that are subject to adjustments*. Customers typically indicate in the agreements the type of SiC epitaxial wafers, purchase volumes they expect to purchase from us during the contracted period and initially agreed prices in the agreements, to be followed by purchase orders setting out the details of specifications of products, among others. From January 1, 2025 and up to September 30, 2025, we had entered into nine framework sales agreements of this type with customers, representing an expected sales volume of 103,800 pieces of SiC epitaxial wafers as backlog as of September 30, 2025. We expect to, in particular, receive a sales volume of 44,817 pieces of SiC epitaxial wafers in 2025, from these agreements, with the rest expected to be received in 2026. These framework sales agreements contain sales volume with initially agreed purchase prices subject to necessary adjustments as negotiated by both parties amicably. These necessary adjustments may take place when the market conditions materially change by the time the purchase orders are placed, and may include upwards or downwards adjustments according to the average market prices by that time. The purchase prices are initially agreed in the framework sales agreements as the demand on our products keeps rising and our products become good value for money, which makes it easier for us to communicate on the selling price with the customers and seek their acceptance on initially agreeing the selling price at this stage. Our framework sales agreements do not stipulate floor prices.

- o *Framework sales agreements with estimated purchase volumes only*. Customers only indicate in the agreements estimated purchase volumes during the contracted period without specifying any fixed prices. The type of SiC epitaxial wafers, actual purchase volumes and prices, among others, will be set out in subsequent purchase orders. Customers enter into such kind of framework sales agreements to maintain a certain extent of flexibility. Many of the customers with whom we have entered into such kind of framework sales agreements are long-term customers that have placed multiple orders with us in the past, which supports our expectation that a substantial portion of these intentions will be realized. As of September 30, 2025, we had entered into agreements of this type containing requests of at least 50,000 pieces of SiC epitaxial wafers in 2025. For the sake of prudence, such backlog has not been considered in the backlog analysis as set out in "— Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Business Growth in 2025."

Purchase orders have always been our primary focus, while framework sales agreements strategy showcases our determination to develop a long-term procurement relationship with the customers. Subsequent to the Track Record Period and up to September 30, 2025, over 80% of the customers who had signed framework sales agreements with us in 2024 had subsequently placed purchase orders with us. While the product specifications, purchase volumes, and delivery schedules are subject to confirmation through individual purchase orders, we anticipate there to be substantial customer engagement and conversion. These framework sales agreements reflect our customers' strong interest in long-term collaboration and our enhanced market position following successful qualification and delivery of our products. We consider these agreements mutually beneficial and a positive indicator of future growth. Moreover, to facilitate our projection on sales performance, we endeavor to enter into framework sales agreements with expected selling price and purchase volume in a particular period such as for a particular calendar year, with those customers who expect to procure a relatively large volume of products from us, or have maintained a good relationship with or made frequent purchases from us. As such, it will be easier for us to negotiate with these customers on better terms, such as selling prices, under the framework sales agreements.

- *Deepening our market position in China.* In view of the current international trade frictions and geopolitical uncertainties, we will prioritize the deepening of our market position in China through securing domestic customers by focusing on their needs and enhancing customer loyalty. Strengthening relationships in the domestic market will help us hedge against external volatility and reduce reliance on overseas sales. Frost & Sullivan has advised that the demands of SiC epitaxial wafers from downstream industries in China keep growing along with the increasing demand for high-performance SiC power semiconductor devices. Especially with the price decreasing to the current level, SiC epitaxial wafers have become products of better value, offering high performance at low prices. This shift is expected to further stimulate the demand of SiC epitaxial wafers in China, especially within the new energy vehicle industry. As an important component of xEVs, the rapid growth in the xEV sector is expected to provide a robust foundation for the development of the SiC epitaxial wafer industry. See "Industry Overview — Overview of China and Global SiC Epitaxial Wafer Markets — Drivers of China's SiC Epitaxial Wafer Industries." In addition to robust downstream demands, Frost & Sullivan has also advised that the PRC 8-inch SiC epitaxial wafers market has moved beyond the testing phase in 2023, and is anticipated to unleash production capacity, lower the market price, and boost market sales. Besides, our products are equipped with well-developed technologies, in particular our 8-inch SiC epitaxial wafers. These technologies include, *inter alia*, a total usable area of over 99.5%, an in-wafer concentration uniformity of less than 1%, and a wafer-to-wafer concentration uniformity of less than 2%. Given that we have already adopted volume-driven sales strategy and are well prepared to enhance our production capacity, we believe we can make use of our sales strategies to seize the potential market demand on 8-inch SiC epitaxial wafers. For details of our sales strategies, see "— Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges."

- *Penetrating into, and extending our footprint in, key overseas countries and regions.* In view of the continuing growth of SiC epitaxial wafer market size worldwide, we intend to penetrate into key overseas countries in which we have already established the relationship with local customers, such as Europe, South Korea and Japan from which we generated revenue of RMB48.4 million, RMB503.6 million, RMB43.2 million and RMB1.1 million in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively. In addition, we aim to extend our footprint to other overseas countries with great potential. To achieve these targets, we plan to further expand our global sales and marketing network by establishing sales centers in Malaysia, Italy and Japan. In our feasibility studies, we have considered various factors such as industry prospects, governmental policies, labor cost, geographic location and technological development to select the aforesaid countries to establish our sales centers. We choose Malaysia after considering its government initiatives and lower labor costs. We choose Japan after considering its position as a technological leader in Asia with a strong downstream demand for semiconductor materials, particularly in automotive and electrics sectors. We choose Italy after considering its advantageous geographic location that allows us to access to major markets in Europe. See "Future Plans and Use of Proceeds — Use of Proceeds."

  In practice, we intend to send our sales and marketing specialists to the sales centers in these countries and regions, establish business relationships and understand overseas customers' requests through real-time communications, online meetings, email exchanges, live discussions and regular visits. We also plan to recruit selective local marketing personnel to assist with the sales activities leveraging their familiarity with local markets. We expect to secure local leading and large-scale semiconductor companies, universities and institutions through these sales centers, and intend to primarily focus on 6-inch and 8-inch SiC epitaxial wafers with these overseas customers. We have made substantial progress due to our marketing efforts. As of May 31, 2025, we had provided sample 8-inch SiC epitaxial wafer products to seven potential customers, and two potential overseas customers had been communicating their requests to us and completed visits to our production base, demonstrating positive development of our overseas expansion efforts. We expect to diverse risk and benefit from our globalized sales network and branding initiatives through expanding our customer outreach and strengthening our relationship with overseas customers.

- *Expansion of Product Portfolio*. We plan to expand and diversify our product portfolio and particularly focus on 8-inch SiC epitaxial wafers. In addition, we expect to further research and develop a broader range of advanced and customized wafer structures. These will include thicker epitaxial layers (100–300μm) for high-voltage applications, multi-layer epitaxy and superjunction-compatible wafers for next-generation power devices, bonded substrate-based epitaxy for higher chip yields, and carbon surface or graphene-based epitaxy to enhance carrier mobility. We are also exploring future offerings in emerging materials such as gallium nitride (GaN), gallium oxide, and diamond-based substrates, to address growing demand across downstream markets including xEV, smart grids, and electric aviation.

Despite the decreasing price, the global and China's SiC epitaxial wafers markets are expected to continue to grow in terms of sales volume and revenue. See "Industry Overview — Overview of China and Global SiC Epitaxial Wafers Markets." Our efforts since 2024 to tackle the challenges and the growing demand from our downstream customers (especially with a strong rebound in customer purchasing activity post-Chinese New Year in 2025) at least partially offset the impact from the ASP decreasing trend of SiC epitaxial wafers. For more details of our business and financial performance in 2025, see "— Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Business Growth in 2025."

Gradually expand our production capacity with a focus on 8-inch SiC epitaxial wafers to secure market share

- *Necessity and risk of continued capacity expansion*. Growth in new energy sectors continues to drive long-term demand for SiC-based power devices. Despite current low capacity utilization, our expansion remains necessary to maintain our competitiveness and secure future market share. As a dedicated supplier of SiC epitaxial wafers, we are well-positioned to benefit from rising demand across a wide range of downstream applications, including xEV traction inverters, onboard chargers, photovoltaic inverters, energy storage systems, fast-charging infrastructure, industrial motor drives, and rail transit. These sectors are rapidly shifting from silicon-based components to SiC-based devices due to their superior efficiency, power density, and thermal performance, thereby increasing the demand for high-quality SiC epitaxial wafers.

- *Capacity expansion with a focus on 8-inch SiC epitaxial wafers*. We operate in a capital intensive industry. We are scaling up our production capacity, with a strategic focus on building 8-inch SiC epitaxial wafer lines. We also aim to become among the few in China and globally, to achieve mass production of 8-inch epitaxial wafers, which are critical for high-performance xEV systems and industrial power applications. Our new Ecological Park production base, the construction and installation and debugging of equipment of which was completed in the first quarter of 2025, is expected to primarily meet our anticipated production focus of 8-inch SiC epitaxial wafers. We expect that our new Ecological Park production base will, once the necessary procedural process, all equipment and necessary technical personnel are in place and subject to actual downstream demands, bring an additional annual planned production capacity of approximately 380,000 pieces of SiC epitaxial wafers within 2025, making our total annual production capacity to approximately 800,000 pieces of SiC epitaxial wafers. See "— Production — Production Bases" for more details. Leveraging economies of scale, the increase in production capacity will support us to lower production costs, enhance supply reliability and customer satisfaction, thereby benefit us in market expansion and obtaining more market share.

- *Customer lock-in and technical differentiation*. Once downstream qualification is completed, 8-inch SiC epitaxial wafers are expected to significantly enhance customer stickiness due to high switching costs as a result of stringent validation processes. These validation procedures typically span approximately 1.5 to two years, which, according to Frost & Sullivan, is consistent with industry norm and underscores the significance of securing long-term partnerships in the industry. The validation procedures involve rigorous testing of electrical performance, reliability under thermal cycling, and compatibility with the customer's device fabrication and packaging flows, making it costly and time-consuming for customers to requalify alternative suppliers. Securing these partnerships is a common industry practice, according to Frost & Sullivan, and once a supplier is locked-in by the customer, it becomes challenging to switch due to the extensive validation process required for new suppliers. The scarcity of proven 8-inch epitaxy capabilities positions us as a differentiated supplier, which may win market share as a result of our early capacity readiness. A higher market share indicates that a product's quality has been proven and chosen by a larger number of customers, which is a significant factor for downstream customers selecting appropriate upstream suppliers, according to Frost & Sullivan. Hence, obtaining more market share benefits us in securing more downstream customers.

  Our customer lock-in strategy has resulted in positive results. As of May 31, 2025, at least 14 potential downstream customers had completed validation of our 8-inch SiC epitaxial wafers, and certain of such customers had subsequently placed purchase orders, which we expect to generate revenue over the next few years. Besides, at least seven potential customers were still in the process of validation as of the same date. We anticipate these potential customers, when completing the validation process, will enter into framework sales agreements or place purchase orders with us.

- *Path to profitability via scale*. While near-term pricing remains constrained, we are adopting a volume-driven sales strategy and expects to restore profitability by ramping production volume, leveraging economies of scale, and improving yield.

Improve operational efficiency and capital management

We intend to improve our operational efficiency through the following approaches:

- *Enlarging the proportion of procurement of raw materials from the domestic market*. Our major raw materials include conductive SiC substrates and other accessory materials such as graphite components and special gases. According to Frost & Sullivan, the purchase cost of raw materials from the overseas market are generally higher than those in the China market, and such trend is expected to continue. In recent years, technological advancement has supported raw materials from domestic suppliers to possess similar quality as imported raw materials, according to the same source. Accordingly, we have commenced enlarging the proportion of procurement of SiC substrates from the domestic market if the quality of the same can fulfill our requirement. We believe such approach effectively helps us reduce the raw materials cost, thereby improving our profitability. We intend to adopt a similar approach for the procurement of other accessory materials to further reduce cost and improve our profitability. Our initial efforts of such domestic substitution has resulted in a continuous increase of percentage of domestic raw materials' procurement. Among these domestic purchases, purchase amount from PRC-based suppliers accounted for 44.6%, 65.2%, 48.4% and 99.8% while purchase amount from PRC suppliers with overseas backgrounds accounted for 31.1%, 31.2%, 48.6% and nil in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, totaling 75.7%, 96.4%, 97.0% and 99.8%, respectively, of our total purchase amount of raw materials in 2022, 2023 and 2024 and for the five months ended May 31, 2025 as a whole. The substantial increase in the proportion of our purchase amount from PRC-based suppliers for the five months ended May 31, 2025 was primarily because we did not make any purchase from Supplier A in such period. As the purchase prices from PRC suppliers with overseas backgrounds are generally comparable to those from overseas suppliers, and the market prices of raw materials in the overseas market are generally higher than those in the China market as explained above, we expect to continuously improve our purchase amount from PRC-based suppliers to improve our cost of sales.

- *Exploring new strategic supply chain arrangement*. We started to negotiate with our key SiC substrate and accessory material suppliers from which we make large and concentrated annual purchases to implement a new strategic supply chain arrangement since December 2024, under which such key suppliers rent a warehouse at our production site for storage of raw materials intended for our use. As of September 30, 2025, one of our key SiC substrate supplier, and two of our accessory material suppliers, had rented our warehouse. Salient terms of the lease agreement are as follows:

  - o Service provided by us. We provide leasing service of a warehouse at our production site to our suppliers for storage of SiC substrates or other accessory materials that meet our specification, type and quality requirements according to the signed purchase agreements or orders.

- o Duration. The agreement with our key SiC substrate supplier lasts three years, and the agreements with our key accessory material suppliers last one year.

- o Risk allocation. The suppliers are responsible for the logistics and insurance of the materials. Unless evidence shows that the losses to the raw materials are caused by reasons due to us, the suppliers bear the risks and rewards of ownership of the raw materials stored in the warehouse, until the raw materials are purchased and accepted by us.

- o Return of raw materials. The suppliers shall take back the unpurchased raw materials and bear the corresponding risks and expenses upon expiration or termination of the agreements.

- o Dispute resolution. Any dispute, controversy or claim arising from or relating to the lease agreement shall be resolved in an amicable manner. If an agreement cannot be reached, either party shall have the right to bring a lawsuit to court.

We recognize the purchases of the relevant raw materials upon signing of purchase agreement and actual pick-up of the raw materials. The suppliers are responsible for managing the warehouse, including recording the movement of raw materials. Additionally, we send out warehouse management personnel to conduct monthly reconciliation and inventory check with the suppliers' warehouse management personnel to ensure our purchase quantity is in line with the suppliers' delivery. We return unutilized raw materials to the suppliers, who bear the risk of obsolescence, and can take back to their relevant factories or transfer to their other customers at their own discretion.

These SiC substrate supplier and accessory material suppliers remained our top five raw material suppliers of their respective purchase categories during the Track Record Period, namely, supplier F, supplier D and supplier J. Apart from being our suppliers, these suppliers do not have any past or present relationships with us, including, without limitation, business, employment, family, trust, financing, shareholding or otherwise. The rental of such warehouse is determined with reference to the prevailing rental price in the comparable warehouses in the same locations. We expect to generate, from each of these three suppliers, approximately RMB10,000 of rental income per year. This arrangement aims to reduce production lead time by ensuring immediate access of materials by us, while enabling us to assess purchase needs in accordance with our raw material inventory, allowing us to better manage our inventory level, logistics costs and purchase costs. We believe this approach will be beneficial to us as we can optimize our inventory management and control purchase costs more effectively.

- *Improving our production efficiency*. Production efficiency, once improved, can effectively speed up our business operations and lower the relative costs and expenses. We plan to improve our production efficiency through (i) streamlining the production process and efficiently optimizing the production plan of our epitaxial furnaces based on process requirements and load capacity to reduce idle time and improve energy efficiency, thereby minimizing unnecessary power loss during operation; (ii) enhancing timely communications and exchange information with customers to optimize our future production plans; (iii) gradually introducing automated equipment in the production process to reduce manual operation, thereby improving operational accuracy; and (iv) optimizing resource allocation and production management by using professional management systems such as Enterprise Resource Planning (ERP) and Manufacturing Execution System (MES).

- *Optimizing the management structure*. Labor cost as well as other administrative costs are the key components to our expenses. As such, on one hand, we would review our management structure from time to time in order to optimize our human resources. On the other hand, along with the development of various technologies in relation to the corporate management and production, we may put more focuses on relying technological ways to share a part of the human duties. This would enhance our efficiency of our management and reduce relevant operating costs.

- *Strengthening the credit management of customers*. We expect to periodically assess customers' credit profile to avoid high-risk customers, thereby reducing the possibility of writing off bad debts. We have established a customer credit rating module in our CRM system, which is regularly updated and maintained, and internal procedures for customer credit management. For new customers, we conduct background checks during the onboarding process. For existing customers, we conduct credit rating evaluations annually. We will also manage the credit period granted to customers, and plan to regularly reconcile unpaid accounts with customers and follow up on overdue account receivables in a timely manner. We require our salespersons to submit a *Customer Credit Term Assessment Form* before making any adjustments to the customer's credit term limit. For customers at risk of overdue payments, we require our salespersons to submit a *Customer Credit Evaluation Form*, and shipment to such customers must receive prior authorization by the general manager or an authorized representative, accompanied by an *Emergency Shipment Notification*.

- *Strengthening our inventory management*. We plan to strengthen our inventory management to improve inventory turnover and reduce stockpiling and unnecessary procurements, thereby enhancing overall cost-effectiveness. We have now switched to place purchase orders with suppliers after receiving confirmed sales orders and only when the existing stocks cannot be utilized to meet the customers' requirements. Our inventory control efforts will cover both raw materials and finished goods. For raw materials, we will make procurement and production plans based on demand from confirmed sales orders and existing inventory levels. For finished goods, we aim to minimize inventory levels through closer coordination with our production plan and customer delivery schedules, enabling us to respond efficiently to orders while minimizing excess inventory and storage costs. In particular, on one hand, we intend to prioritize the usage or selling of the long-aged inventories if those inventories can satisfy our customers' request. On the other hand, we would try to minimize the purchase of raw materials if the existing stocks can be utilized to enhance our inventory level and improve our inventory turnover days. Having said that, we would still purchase raw materials from time to time if the market price of the raw materials is acceptable and the purchase of the same is necessary to fulfill customers' needs. Besides, our new strategic supply chain arrangement will help reduce purchase lead time by ensuring immediate access of materials by us, while enabling us to assess purchase needs in accordance with our raw material inventory. Further, our switch to domestic substitution would also reduce our purchase lead time. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Inventories." Our raw material price follows the market trend. We believe the above inventory management measures provide agility to us in navigating the inherently cyclical semiconductor industry and to minimize future substantial inventory write-downs going forward. Our inventory turnover days decreased from 308 days in 2024 to 267 days for the five months ended May 31, 2025. See "— Challenges to our Industry and our Business — Our Strategies to Tackle the Challenges — Business Growth in 2025" for a detail inventory analysis.

- *Securing sufficient working capital.* Sufficient working capital is essential to maintain our sustainable operation and we have placed importance on sourcing working capital through different means. During our operations, we aim to diversify our revenue stream by expanding our product portfolio, and improve our account receivable level by strengthening the credit management of customers and to closely monitor the settlement of our outstanding receivables with a view to expedite their payment process. To further manage the liquidity mismatch between the trade receivables turnover days and the trade payables turnover days, we plan to continue to negotiate with more suppliers to offer us with credit period of at least 90 days for our purchases. We plan to strengthen our inventory management so as to shorten the inventory turnover days and reduce stockpiling in order to further shorten the cash conversion cycle. See "— Our Strategies to Tackle the Challenges — Improve operational efficiency and capital management — Strengthening our inventory management." In addition to the working capital generated from our operating activities, as of September 30, 2025, we had obtained committed unutilized banking facilities of RMB5,124.1 million, among which RMB3,971.9 million were fixed asset loans and RMB1,152.2 million were operating loans for general working capital purposes. Additionally, as of the same date, we had cash and cash equivalent of RMB124.5 million. Besides, we expect to obtain net proceeds of HK$1,671.1 million from the Global Offering.

Advance technological aspects of products

Moreover, we intend to make technological improvements of our products. In particular, we plan to upgrade our process to further increase our yield rate, saving more sample epitaxial wafers for debugging and testing purposes, and thus effectively reducing production costs. We leverage technological advancements including optimized bonding process that can significantly reduce the use of single crystal layers and use polycrystalline as a supporting layer, techniques that allow the growth of thick SiC materials with low defect density, and development of superjunction device material. All these technological advancements can improve the yield rate of products and ensure high quality epitaxial growth. With the technological advancements of our products, we believe we are able to attract more downstream customers, bringing in more market share.

Business growth in 2025

After implementation of the aforesaid strategies to tackle the challenges, we recorded an improvement on our business development in the five months ended May 31, 2025 and beyond.

Business perspective:

- *Sales volume*. We have gradually recovered our sales volume. The following table sets forth a breakdown of our quarterly sales volume in 2022, 2023 and 2024 and for the three months ended March 31, 2025 and the five months ended May 31, 2025, respectively:

	Year ended December 31,						Three months ended March 31,		Five months ended May 31,	
	2022		2023		2024		2025			
	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%
Sales of self-manufactured SiC epitaxial wafers										
4-inch	*902*	*2.0*	*14*	*—*[(1)]	*310*	*0.4*	*695*	*1.7*	*901*	*1.2*
6-inch	*3,147*	*7.1*	*17,223*	*13.2*	*22,618*	*28.7*	*30,764*	*74.1*	*50,360*	*64.8*
8-inch	—	—	—	—	—	—	*1,317*	*3.2*	*7,635*	*9.8*
Sub-total of Q1/five months ended May 31, 2025	4,049	9.1	17,237	13.2	22,928	29.0	32,776	79.0	58,896	75.8
4-inch	*827*	*1.9*	*368*	*0.3*	*8*	*—*[(1)]	—	—	—	—
6-inch	*10,152*	*22.8*	*27,460*	*21.0*	*22,832*	*28.9*	—	—	—	—
8-inch	—	—	—	—	*320*	*0.4*	—	—	—	—
Sub-total of Q2	10,979	24.7	27,828	21.3	23,160	29.3	—	—	—	—
4-inch	*912*	*2.0*	*1,361*	*1.0*	*6*	*—*[(1)]	—	—	—	—
6-inch	*12,042*	*27.1*	*46,825*	*35.8*	*8,019*	*10.2*	—	—	—	—
8-inch	—	—	—	—	*91*	*0.1*	—	—	—	—
Sub-total of Q3	12,954	29.2	48,186	36.9	8,116	10.3	—	—	—	—
4-inch	*136*	*0.3*	*75*	*0.1*	*1,375*	*1.7*	—	—	—	—
6-inch	*14,826*	*33.3*	*34,291*	*26.2*	*14,889*	*18.9*	—	—	—	—
8-inch	—	—	*15*	*—*[(1)]	*1,268*	*1.6*	—	—	—	—
Sub-total of Q4	14,962	33.7	34,381	26.3	17,532	22.2	—	—	—	—
Sub-total	**42,944**	**96.7**	**127,632**	**97.7**	**71,736**	**90.9**	**—**	**—**	**—**	**—**

	Year ended December 31,						Three months ended March 31,		Five months ended May 31,	
	2022		2023		2024		2025			
	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%
Sales of SiC epitaxial wafers under foundry services										
4-inch	*3*	*—(1)*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
6-inch	*194*	*0.4*	*1,317*	*1.0*	*326*	*0.4*	*8,604*	*20.7*	*18,676*	*24.0*
8-inch	*—*	*—*	*—*	*—*	*—*	*—*	*119*	*0.3*	*137*	*0.2*
Sub-total of Q1/five months ended May 31, 2025	197	0.4	1,317	1.0	326	0.4	8,723	21.0	18,813	24.2
4-inch	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
6-inch	*29*	*0.1*	*1,638*	*1.3*	*133*	*0.2*	*—*	*—*	*—*	*—*
8-inch	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
Sub-total of Q2	29	0.1	1,638	1.3	133	0.2	—	—	—	—
4-inch	*2*	*—(1)*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
6-inch	*400*	*0.9*	*89*	*0.1*	*3,477*	*4.4*	*—*	*—*	*—*	*—*
8-inch	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
Sub-total of Q3	402	0.9	89	0.1	3,477	4.4	—	—	—	—
4-inch	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*
6-inch	*943*	*2.1*	*26*	*—(1)*	*3,222*	*4.1*	*—*	*—*	*—*	*—*
8-inch	*—*	*—*	*—*	*—*	*34*	*—(1)*	*—*	*—*	*—*	*—*
Sub-total of Q4	943	2.1	26	—(1)	3,256	4.1	—	—	—	—
Sub-total	**1,571**	**3.5**	**3,070**	**2.3**	**7,192**	**9.1**	**—**	**—**	**—**	**—**
Total	**44,515**	**100.0**	**130,702**	**100.0**	**78,928**	**100.0**	**41,499**	**100.0**	**77,709**	**100.0**

Note:

(1) Less than 0.1%.

In the first quarter of 2025, we sold 41,499 pieces of SiC epitaxial wafers (including both self-manufactured SiC epitaxial wafers and those under foundry services), representing a 78.5% increase as compared to 23,254 pieces in the first quarter of 2024, and a significant 99.6% increase as compared to 20,788 pieces in the fourth quarter of 2024.

For the five months ended May 31, 2025, we sold 77,709 pieces of SiC epitaxial wafers (including both self-manufactured SiC epitaxial wafers and those under foundry services), representing a 107.8% increase as compared to 37,391 pieces in the same period in 2024. More specifically, the sales performance of our 8-inch SiC epitaxial wafers experienced a robust improvement. For the five months ended May 31, 2025, we sold 7,772 pieces of 8-inch SiC epitaxial wafers (including self-manufactured epitaxial wafers and those sold under foundry services), marking a significant increase of approximately 350% as compared to the sales volume of the same for the year ended December 31, 2024. The boost in the sales of 8-inch SiC epitaxial wafers was primarily due to the increasing downstream demand alongside the emerging use of 8-inch SiC epitaxial wafers in the industry.

We have gradually recovered our sales volume, reaching 41,499 pieces in the first quarter of 2025. In particular, our business growth is demonstrated by a clear upward trend of sales volume in the first quarter of 2025 as compared with the same period in 2024 as well as the fourth quarter of 2024. We also recorded a sales volume of 60,098 pieces in the second quarter of 2025. These trends demonstrate the effectiveness of our commercial efforts and support an improving outlook for the rest of the year.

- *ASP*. The following table demonstrates the ASP of our products by product type in each year/period during the Track Record Period:

	Year ended December 31,			**Five months ended May 31,**	
	2022	**2023**	**2024**	**2024**	**2025**
	(RMB/piece)			*(RMB/piece)*	
4-inch	4,138	4,539	4,482	4,940	2,840
6-inch	9,631	8,890	6,669	7,924	3,138
8-inch	—	34,467	12,483	17,490	8,377
All products	9,276	8,831	6,753	7,924	3,813

According to Frost & Sullivan, the stabilized market prices of 4-inch and 6-inch SiC epitaxial wafers are expected to be RMB2.0 thousand to RMB3.7 thousand per piece since 2025 and RMB2.8 thousand to RMB5.3 thousand per piece since 2026, respectively. Therefore, we have adopted a volume-driven sales strategy for 4-inch and 6-inch products to improve our revenue. Such strategy includes entering into strategic cooperation agreements and framework sales agreements in addition to purchase orders, to lock in customers' purchase volume ahead of time. See "— Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges." For the five months ended May 31, 2025, the ASP of our 4-inch and 6-inch products reached RMB2,840 and RMB3,138 per piece, respectively, demonstrating that our ASPs for 4-inch and 6-inch products have almost reached the stabilized market price. The ASP of our 8-inch SiC epitaxial wafers for the five months ended May 31, 2025 of RMB8,377 per piece, however, was still at the high-end of its stabilized market price range, which ranges from RMB6.3 thousand to RMB8.8 thousand per piece since 2026. We expect our 8-inch products will bring more sales volume and enhance our revenue and profit level in the upcoming years.

- *Backlog.*

  We calculate our backlog from our purchase orders and framework sales agreements with initially agreed purchase volumes and prices that are subject to adjustments. Backlog demonstrates the expected sales volume and revenue pending to be generated.

  I. Purchase orders

  The following table demonstrates the expected sales volume to be generated from our purchase orders from January 1, 2025, as of the dates indicated:

	As of May 31, 2025	Addition in the period from June 1, 2025 to September 30, 2025	As of September 30, 2025
		(pieces)	
4-inch	—	—	—
6-inch	12,085	45,402	57,487
8-inch	150	5,650	5,800
Sub-total	12,235	51,052	63,287

  We expect to recognize revenue to be generated from these purchase orders in 2025.

  II. Framework sales agreements with initially agreed purchase volumes and prices that are subject to adjustments

  Our framework agreements with initially agreed purchase volumes and prices that are subject to adjustments set out the type of SiC epitaxial wafers, purchase volumes customers expect to purchase from us during the contracted period and initially agreed prices, to be followed by purchase orders setting out the details of specifications of products, among others. These agreements are legally binding on both parties to perform their respective obligations under the agreements. Neither party has the right to unilaterally terminate the agreement. In the event of any breach of agreement, the defaulting party shall assume its liability under the relevant laws, and the non-defaulting party has the right to request remedial measures or sue for compensation, including any direct and indirect economic losses.

Our framework sales agreements do not provide for a specific time at which purchase orders must be placed. However, based on the past purchasing patterns of our customers to place purchase orders before the expiration of our framework agreements, we expect that these framework agreements will be converted into actual purchase orders in 2025 given that the contracting period for the majority of our framework agreements will expire in the year of 2025 or January 2026.

The following table demonstrates the expected sales volume to be generated from our framework sales agreements with initially agreed purchase volumes and prices that are subject to adjustments from January 1, 2025, as of the dates indicated:

	As of May 31, 2025	**Additional agreements signed in the period from June 1, 2025 to September 30, 2025**	**As of September 30, 2025**
		(pieces)	
4-inch	—	—	—
6-inch	20,000	48,073	68,073
8-inch	20,000	15,727	35,727
Total	**40,000**	**63,800**	**103,800**

We expect to recognize a portion of the revenue to be generated from these framework sales agreements in 2025. As of September 30, 2025, 19.2% of the purchase volume as indicated in our framework sales agreements had been converted into actual orders and recognized as revenue up to September 30, 2025. In addition, the backlog up to September 30, 2025 which is expected to be recognized as revenue in 2025 under our framework sales agreements was 44,817 pieces, 44.4% of which had been converted into actual orders to and recognized as revenue up to September 30, 2025.

In conclusion of the above, by adding up the expected revenue of purchase orders, framework agreements with initially agreed purchase volumes and prices that are subject to adjustments, and our revenue recorded for the five months ended May 31, 2025, we anticipate the revenue in 2025 would be improved as compared to that in 2024.

- *Utilization rate*. For the five months ended May 31, 2025, the utilization rate of our headquarters production base equaled 58.9%, showing a great improvement from the utilization rate in 2024, primarily attributable to increased purchase orders due to downstream demand. For the three months ended September 30, 2025, our utilization rate further improved to 77.1%.

Financial perspective:

Profit or loss items:

- *Revenue*. We recorded an increase in revenue in the first quarter of 2025 compared to the fourth quarter of 2024, and further recorded an increase in revenue in the second quarter of 2025 compared to the first quarter of 2025, demonstrating a continuous improvement on financial performance.

- *Operating expense per revenue*. Our operating expense includes selling and distribution expenses, administrative and other operating expenses, and research and development expenses. Our operating expense per revenue decreased from 35.5% for the five months ended May 31, 2024 to 16.2% for the five months ended May 31, 2025, as a result of our effective cost control measures.

- *Labor cost*. Our total labor cost (including labor cost under cost of sales, and employee expenses under selling and distribution expenses, administrative and other operating expenses and research and development expenses) decreased by 12.3% from RMB39.7 million for the five months ended May 31, 2024 to RMB34.8 million for the five months ended May 31, 2025. This demonstrates a result of our optimization of the management structure.

- *Gross profit*. We recorded gross profit of RMB57.8 million for the five months ended May 31, 2025, as compared to gross loss of RMB27.1 million for the five months ended May 31, 2024 and gross loss of RMB374.4 million for the year ended December 31, 2024, respectively. Our gross profit for the five months ended May 31, 2025 was primarily attributable to (i) a turnaround from provision for write-down of inventories made for the five months ended May 31, 2024 as compared with a reversal of provision for inventories during the five months ended May 31, 2025; (ii) increase in sales volume resulting from our increased sales of 6-inch and 8-inch SiC epitaxial wafers which led to economies of scale; and (iii) decreased purchase cost due to domestic substitution. The Company noted that the purchase price of the substrates offered by overseas suppliers at least 36% higher than that of the domestic suppliers, to the highest of 239% during the Track Record Period depending on the size and technical specification requirements. We paid high premium of up to 239% to overseas suppliers during the Track Record Period for 8-inch substrates when the market price was high as we only purchased a small quantity of such substrates without any bulk-purchase discount, and the specification requirements of these inventories were relatively high. For the five months ended May 31, 2025, our purchase amount from PRC-based suppliers accounted for 99.8% of our total purchase amount of raw materials while there was no material change on our domestic substitution approach subsequent to May 31, 2025 and up to the Latest Practicable Date. For details, see "Financial Information — Description of Major Components of Our Results of Operations — Cost of Sales."

- *Net loss improvement*. As a result of our efforts to tackle the challenges, we turned our net loss position in 2024 to a net profit position for the five months ended May 31, 2025, which was primarily attributable to our improvement in gross profit.

Liquidity items:

- *Inventories*. As of May 31, 2025, we had 4-inch, 6-inch and 8-inch SiC epitaxial wafer-related inventories of RMB18.0 million, RMB207.5 million and RMB9.4 million, respectively. As of the same date, we made provisions for write-down of 4-inch, 6-inch and 8-inch SiC epitaxial wafer-related inventories of RMB18.0 million, RMB138.6 million and RMB4.2 million, respectively, resulting in net amount of nil, RMB68.9 million and RMB5.2 million, respectively, of 4-inch, 6-inch and 8-inch SiC epitaxial wafer-related inventories.

  As of May 31, 2025, we had made (i) provision for write-down of 4-inch SiC epitaxial wafer-related inventories amounted to RMB18.0 million due to uncertainties in connection with the future demand of 4-inch SiC epitaxial wafers in light of decreasing demand of 4-inch SiC epitaxial wafers among against the expectation that 8-inch epitaxial wafers are a key trend for the future SiC epitaxial wafer industry; and (ii) provision of RMB138.6 million and RMB4.2 million for write-down of 6-inch and 8-inch SiC epitaxial wafer-related inventories, respectively, as a result of the continued decrease in market price of the 6-inch and 8-inch SiC epitaxial wafer-related inventories. We consider the provisions for write-down of 6-inch and 8-inch SiC epitaxial wafer-related inventories are reasonable after taking into account the recent market prices of relevant inventories. Besides, having said that 8-inch products have only recently been commercialized, given that the market price of 8-inch epitaxial wafers continued to decrease for the five months ended May 31, 2025 resulting in making the provision on the 8-inch SiC epitaxial wafer-related inventories in accordance with applicable accounting treatment. In particular, the ASP of our 6-inch products and 8-inch products have fallen under the stabilized market price range. As such, we would expect that the ASP of our 6-inch and 8-inch products would not have significant fluctuation resulting in no material provision for write-down of 6-inch and 8-inch SiC epitaxial wafer-related inventories in the near future. As of September 30, 2025, approximately 82.2% and 76.6% of inventories aged over one year as of December 31, 2024 and May 31, 2025, respectively, had been utilized or sold.

- *Inventory turnover days*. We have seen improvement in our inventory turnover days. For the five months ended May 31, 2025, we recorded inventory turnover days of 267 days, showing an improvement from the inventory turnover days in 2024, being 308 days. Our inventory turnover days has been further decreased to

219 days for the nine months ended September 30, 2025 based on relevant unaudited management accounts as a result of our effective inventory management measures.

- *Trade and bills receivables turnover days*. For the five months ended May 31, 2025, our trade and bills receivables turnover days were 172 days, showing a decrease from 199 days in 2024. This was attributable to our effective customer credit management measures.

- *Operating cash flow*. We recorded operating cash inflow of RMB61.1 million for the five months ended May 31, 2025, as compared to an operating cash outflow of RMB62.3 million for the year ended December 31, 2024.

For a detailed analysis of our financial performance for the five months ended May 31, 2025, see "Financial Information."

Despite a challenging market environment, we plan to continue actively driving sales growth in the rest of 2025 to continue the sales momentum, leveraging recovering customer demand and strengthened sales execution to keep building on our business and financial performance rebound already seen in the five months ended May 31, 2025.

Having considered the above and taking into account the estimated net proceeds from the Global Offering and the financial resources available to us, including our cash and cash equivalent balances and the expected cash generated from operating activities, the expected financing cash outflow considering the maturity profile of our bank loans and other borrowings, and the related borrowings repayment and interest payment schedule in the next 12 months from the date of this prospectus, our Directors are of the opinion that our business is sustainable, and we have sufficient working capital for our operations and to meet our present needs and for the next 12 months from the date of this prospectus.

The Directors have prepared its working capital forecast after due and careful enquiry, and considered that the assumptions used in the working capital forecast were reasonable. Having taken into account the strategies of our Company set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges", the view of our Directors as described above, the estimated net proceeds from the Global Offering and the financial resources available to our Company, our Directors' considered that our business is sustainable and we have sufficient working capital for our operations and to meet our present needs and for the next 12 months from the date of this prospectus. After the Sole Sponsor conducted due diligence, as nothing has come to the attention of the Sole Sponsor which could cause them to cast doubt on the reasonableness of the Directors' views above, the Sole Sponsor concurs with the Directors' view that the Group has sufficient working capital for its operations and to meet its present needs and for the next 12 months from the date of this prospectus.

The Development of the SiC Epitaxial Wafer Industry

Technological Advancement

Our Directors consider that the demand for high-performance SiC power semiconductors from downstream industries, such as renewable energy, power electronics, automotive and telecommunication, would continuously drive the market demand for SiC epitaxial wafers. More specifically, with the advancement of technology and the growth of market demand, 8-inch SiC epitaxial wafers gradually become the new focus of the industry due to its higher output rates, reduced edge loss, and improved device performance, replacing 4-inch and 6-inch SiC epitaxial wafers.

Growing Prospects in Downstream Sectors

We believe the robust growth prospects in downstream sectors will benefit us due to adoption of SiC power semiconductor devices for downstream markets. For example, with superior performance, high resistance to voltage and competitive prices, SiC power semiconductor devices are more advantageous and accessible and are becoming broadly used in xEVs, replacing traditional silicon-based devices. As SiC epitaxial wafers are the base material to fabricate the SiC semiconductor devices in the form of SiC power modules, we expect the increasing demand for new energy vehicles to further drive the demand for SiC epitaxial wafers. See "Industry Overview — Overview of China and Global SiC Epitaxial Wafer Markets — Trends of China's SiC Epitaxial Wafer Industry — Continuous Expansion of Manufacturers' Production Capacity to Meet Growing Market Demand."

During the Track Record Period, over 80% of our SiC epitaxial wafers satisfied the technical requirements of xEVs. Consequently, our SiC epitaxial wafer business will benefit from the growing use of SiC power semiconductor devices in xEV sectors as well as the growth of the sector itself.

Favorable Policies

Government around the world have been enacting favorable policies with respect to SiC epitaxial wafers in recent years, including the Chinese government. In July and August 2023, MIIT issued the *Implementation Opinions on Reliability Improvement of Manufacturing Industry and Action Program for Stable Growth in the Electronic Information Manufacturing Industry 2023–2024*, which emphasizes the need to set industry standards and improve the reliability of wide-bandgap power semiconductor devices like SiC power semiconductor devices, a downstream industry of the SiC epitaxial wafer industry. Frost & Sullivan has advised that downstream customer demand for quality products would increase alongside the attention and guidance of wide-bandgap power semiconductor devices from the government which, in turn, benefit competent SiC epitaxial wafer suppliers like us. This demonstrates the government's determination to promote the overall competitiveness of relevant products, incentivizing the industry players to enhance R&D capabilities and supporting the rapid development of the industry. In March 2021, the National People's Congress published the *Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Vision*

2035 to promote the development of wide-bandgap semiconductors, such as SiC. See "Industry Overview — Overview of China and Global SiC Epitaxial Wafer Market — Drivers of China's SiC Epitaxial Wafer Industry."

Going forward, it is anticipated that more and more downstream customers are expected to place orders requesting for large quantity of 8-inch SiC epitaxial wafers. As such, we believe the SiC epitaxial wafers industry is promising with a demand switch from 4-inch and 6-inch towards 8-inch epitaxial wafers, and our business performance and financial conditions would be improved in the foreseeable future.

Based on the foregoing, despite of facing various challenges, we believe our business is sustainable and our financial performance is expected to be enhanced through adopting the aforesaid strategies while the SiC epitaxial wafers industry continues to be sun-rising with the new focus of demand.

OUR PRODUCT AND SERVICE OFFERINGS

Overview

Sales of Self-manufactured SiC Epitaxial Wafers

We are an SiC epitaxial wafer manufacturer focusing primarily on self-manufactured SiC epitaxial wafers. Although the SiC industry's mainstream epitaxial wafers have evolved from 4-inch to 6-inch, with a growing trend towards 8-inch, we currently offer all three sizes of SiC epitaxial wafers with an anticipated focus on 6-inch and 8-inch SiC epitaxial wafers. We do not anticipate any material impact such as write-down of any of our PPE due to the shift of such focus, as our production furnaces can be shared to produce all sizes of products under minimal transformation, and we will continue to utilize those PPE for production for the remaining useful life. Our SiC epitaxial wafers can generally be used in end application scenarios including new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances, satisfying the growing needs from these downstream industries. We believe our advanced technologies and large-scale production capacity have enabled us to stay at the forefront of R&D of production processes and market introduction of domestic substrates, accessory consumables and core equipment, thereby promoting the domestic substitution process of major components along the SiC power semiconductor device industry value chain.

We have established a business model that meets industry needs. We heed demand from different downstream customers, including their varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, which are influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs, we primarily engage in direct sales to targeted customers by offering them tailored products. We procure raw materials based on the expected sales volume, with appropriate reserves, and make production plans accordingly. This approach enhances our ability to manage procurement and inventory effectively. During the Track Record Period, our revenue generated from the sales of self-manufactured SiC epitaxial wafers reached RMB398.3 million, RMB1,127.1 million, RMB484.4 million, RMB292.7 million and RMB224.6 million in 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, respectively, accounting for 91.2%, 96.2%, 93.2%, 98.5% and 87.4% of our total revenue for the respective years/periods.

Other Sales and Services

Additionally, we provide other services relating to SiC epitaxial wafers, and conduct other sales. The following table demonstrates a breakdown of our revenue generated from providing value-added services related to SiC epitaxial wafers, sales of semiconductor devices, and sales of suboptimal SiC epitaxial wafers:

	December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	(RMB'000)	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*
Services related to SiC epitaxial wafers										
SiC epitaxial foundry service	10,333	2.4	10,725	0.9	14,737	2.8	1,448	0.5	25,056	9.8
SiC related inspection service	2,351	0.5	7,051	0.6	6,504	1.3	1,599	0.5	1,703	0.7
Others[1]	3,469	0.8	4,234	0.4	54	—[2]	40	—[2]	2,376	0.9
Sub-total	16,152	3.7	22,010	1.9	21,295	4.1	3,087	1.0	29,135	11.3
Other sales										
Sales of semiconductor devices	22,361	5.1	1,744	0.1	951	0.2	288	0.1	2,494	1.0
Sales of suboptimal SiC epitaxial wafers	—	—	20,364	1.7	12,953	2.5	1,199	0.4	637	0.2
Sub-total	22,361	5.1	22,108	1.9	13,904	2.7	1,487	0.5	3,131	1.2
Total	**38,514**	**8.8**	**44,117**	**3.8**	**35,199**	**6.8**	**4,574**	**1.5**	**32,266**	**12.6**

Notes:

(1) Others primarily include cleaning and polishing epitaxial wafers, R&D services, and sales of raw materials.

(2) Less than 0.1%.

Services related to SiC Epitaxial Wafers

Our value-added services related to SiC epitaxial wafers primarily include SiC epitaxial foundry service, epitaxial wafer cleaning service, and SiC related inspection service. Our SiC related inspection service consists of wafer inspection service and device inspection service, the latter of which is conducted through Southern Semiconductor. Not only do our SiC epitaxial wafer related services complement our product and service offerings, but these services in turn improve our capabilities in R&D and mass production. For details of our services related to SiC epitaxial wafers, see "— Our Product and Service Offerings — Our SiC Epitaxial Wafer Related Services."

Other Sales

To optimize our inventory level and avoid waste of products, we also sell certain suboptimal SiC epitaxial wafers. These suboptimal products did not meet quality standards of the original customer, such as chip yield rate and surface structure parameters, but may meet other customers' requests due to their differentiated requirements and purposes of use. Such customers may use such epitaxial wafers for their testing or R&D purposes. Suboptimal epitaxial wafers are not classified as returned products, as they were never dispatched to customers and were detected during our internal quality inspection prior to shipment. We price these suboptimal epitaxial wafers according to the specifications and quantity of products required by customers at a discount rate as one of the possible ways under our inventory management approach, which has resulted in negative gross profit margin. As of May 31, 2025, the inventory balance of these suboptimal epitaxial wafers was 14,794 pieces. We made provision for inventory impairment of suboptimal epitaxial wafers of RMB12.9 million, RMB22.0 million, RMB54.9 million, RMB38.5 million and RMB49.4 million, in 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, respectively. Given that our epitaxial wafer products, including suboptimal products, do not generally have an expiry date and can be stored for extended periods under proper conditions, we believe that our inventories could be utilized to fulfill future orders and did not have any recoverability issues.

We also provide sales of semiconductor devices through Southern Semiconductor leveraging its long-term business development in semiconductor industry resulting in having established network with the industry participants and making sales of semiconductor devices and wafers to them. Such sales are recorded under other sales.

During the Track Record Period, our revenue generated from provision of these value-added services as well as other sales amounted to RMB38.5 million, RMB44.1 million, RMB35.2 million, RMB4.6 million and RMB32.3 million in 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, respectively, accounting for 8.8%, 3.8%, 6.8%, 1.5% and 12.6% of our total revenue for the respective years/periods.

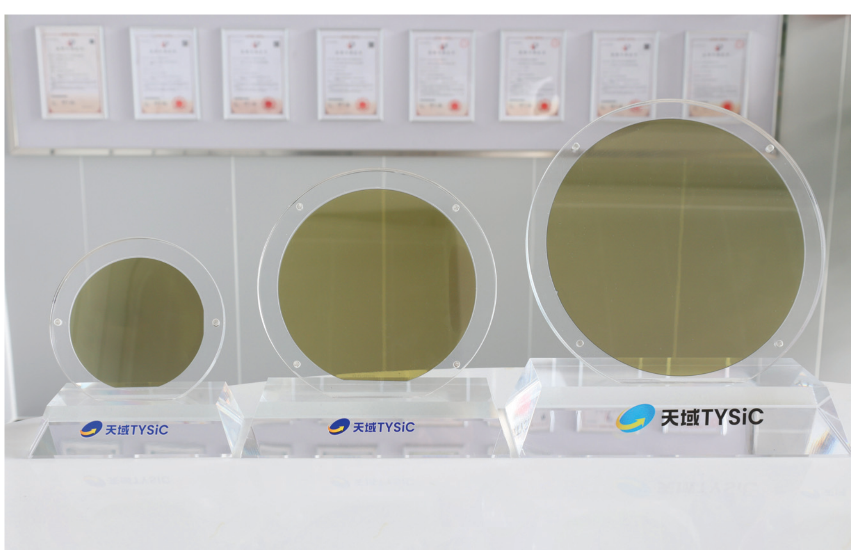
Our SiC Epitaxial Wafers

SiC is a compound of carbon and silicon and is classified as a wide-bandgap semiconductor material. Compared to traditional semiconductor materials like silicon, SiC, as one of the third-generation semiconductor materials, offers significant performance advantages. These include a larger bandgap, higher breakdown of electric field, greater thermal conductivity, higher electron saturation drift velocity, and strong radiation resistance. This makes it more suitable for high-voltage, high-temperature, and high-frequency environments.

By cutting, grinding and polishing the SiC substrate along a specific crystal direction, a single epitaxial wafer with a specific crystal plane and appropriate electrical, optical and mechanical properties for growing epitaxial layers is obtained. Through an epitaxial process, a specific single crystal, thin film is grown on the epitaxial wafer. Such epitaxial growth is a core phase during the entire manufacturing process, as it can effectively improve certain substrate defects in the epitaxial layer, thereby enhancing crystal quality and forming a doping concentration and uniformity that can better meet the requirements of power device manufacturing.

During the Track Record Period, we primarily provided 4-inch, 6-inch and 8-inch SiC epitaxial wafers. Larger-sized epitaxial wafers are more advantageous in total usable area and ability to control downfall defects on the epitaxial wafer surface, leading to a more efficient use. Larger epitaxial wafers are more desirable because they allow for a significantly greater number of chips to be produced per wafer, leading to higher efficiency and a lower cost per chip. Compared to a 6-inch epitaxial wafer, an 8-inch epitaxial wafer can produce nearly 90% more chips, reduce edge waste by 7%, and is expected to lower device costs by 20% to 35%. To meet the evolving downstream customer demands that require larger, more cost-effective semiconductor materials and to maintain our market position, we have continuously iterated and upgraded our manufacturing processes and R&D technologies, and gradually increase our production capacity to keep up with the industry trend of SiC epitaxial wafer providers. In particular, we have completed construction of, and expect to primarily use, our newly established Ecological Park production site for the mass production of 6-inch and 8-inch SiC epitaxial wafers, which will be put in use by the end of 2025. See "— Production — Production Bases." Going forward, we anticipate bigger sales volume and revenue contribution to be brought from sales of 8-inch SiC epitaxial wafers in the near future.

The following picture illustrates our 4-inch, 6-inch and 8-inch SiC epitaxial wafers, respectively:



Our SiC epitaxial wafers are based on standardized models, with certain customization tailored to different customers' demands. For example, different customers may need to accommodate to requirements of different power devices, thereby leading to different requirements of epitaxial wafers. We also take into consideration these factors when determining the pricing for each customer. See "— Our Product and Service Offerings — Pricing of Our Products and Services — Pricing of Our SiC Epitaxial Wafers." We are able to provide customized products, based on which we maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves. See "— Production — Production Process."

Our SiC Epitaxial Wafer Related Services

Leveraging our capability and expertise in the R&D and mass production of SiC epitaxial wafers, we provide value-added SiC epitaxial wafer related services, including SiC epitaxial foundry service, epitaxial wafer cleaning service, and SiC related inspection service. We are able to clean, inspect and polish single crystal epitaxial wafers made of compound semiconductor materials, including SiC, GaN and others. Our major customers of SiC epitaxial wafer related services include scientific research institutions, universities and other upstream and downstream industry players. We primarily provide the following SiC epitaxial wafer related services:

- ***SiC epitaxial foundry service.*** Our customers provide substrates to which we provide epitaxial film foundry services.

- ***Epitaxial wafer cleaning service.*** With our metal contamination monitoring and detection facilities, we provide customers with epitaxial wafer cleaning services to erase metal contamination and meet fabrication requirements.

- ***SiC related inspection service.*** Capitalizing on our advanced testing and characterization equipment and characterization capabilities, we provide customers with testing services for surface defects of substrates and epitaxial wafers through our Class 100 ultra clean workshop. We also provide SiC related inspection service, including substrate, epitaxial wafer and device inspection services.

We charge our customers service fees for providing these services, the amount of which may vary subject to our customers' different requirements. See "— Our Product and Service Offerings — Pricing of Our Products and Services — Pricing of Our SiC Epitaxial Wafer Related Services."

Our Operational Highlights

Sales Volume by Product Type

In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, we sold 44,515 pieces, 130,702 pieces, 78,928 pieces, 37,391 pieces and 77,709 pieces of SiC epitaxial wafers*, respectively, the details of which are set forth below:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*
Sales of self-manufactured SiC epitaxial wafers															
4-inch	2,777	6.3	4,138	1,818	1.4	4,539	1,699	2.2	4,482	318	0.9	4,940	901	1.2	2,840
6-inch	40,167	90.2	9,631	125,799	96.3	8,890	68,358	86.6	6,669	36,520	97.7	7,924	50,360	64.8	3,138
8-inch	—	—	—	15	—(1)	34,467	1,679	2.1	12,483	100	0.3	17,490	7,635	9.8	8,377
Sales of SiC epitaxial wafers under foundry services															
4-inch	5	—(1)	N/A	—	—	N/A	—	—	N/A	—	—	N/A	—	—	N/A
6-inch	1,566	3.5	N/A	3,070	2.3	N/A	7,158	9.1	N/A	453	1.1	N/A	18,676	24.0	N/A
8-inch	—	—	N/A	—	—	N/A	34	—(1)	N/A	—	—	N/A	137	0.2	N/A
Total	**44,515**	**100.0**		**130,702**	**100.0**		**78,928**	**100.0**		**37,391**	**100.0**		**77,709**	**100.0**	

Note:

(1) Less than 0.1%.

During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers in accordance with downstream customers' differentiated needs, and we commenced sales of 8-inch SiC epitaxial wafers in 2023 leveraging our developed mass production capability as larger-sized epitaxial wafers are generally more advantageous in total usable area and ability to control downfall defects on the surface of epitaxial wafers, thereby resulting in a more efficient use. As a result, our sales volume of 4-inch SiC epitaxial wafers experienced a continuous decrease.

Sales Volume and ASP by Geographical Location

The following table sets forth a breakdown of our sales volume and ASP by geographical location based on the location at which our self-manufactured SiC epitaxial wafers were delivered, for the years/periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*	Sales Volume	%	ASP *RMB/piece*
Chinese Mainland	37,219	86.7	9,228	69,112	54.2	8,988	66,644	92.9	6,612	32,452	87.9	7,849	58,627	99.5	3,810
Hong Kong	1,064	2.5	5,579	1,155	0.9	10,613	91	0.1	11,516	80	0.2	11,675	4	—(2)	4,250
South Korea	4,438	10.3	10,747	56,667	44.4	8,619	4,486	6.3	8,627	4,356	11.8	8,385	32	0.1	4,688
Others(1)	223	0.5	5,543	698	0.5	7,444	515	0.7	7,823	50	0.1	10,420	233	0.4	4,361
Total	**42,944**	**100.0**	**9,276**	**127,632**	**100.0**	**8,831**	**71,736**	**100.0**	**6,753**	**36,938**	**100.0**	**7,924**	**58,896**	**100.0**	**3,813**

* Total sales volume of SiC epitaxial wafers included the number of products under our provision of foundry services.

Notes:

(1) Others primarily include Japan, Taiwan, Singapore, Europe and Australia.

(2) Less than 0.1%.

During the Track Record Period, our total sales volume varied, primarily due to (i) the fluctuation of the sales volume from South Korea, which was largely attributable to the purchase amount by Customer J. See "— Sales and Marketing — Our Customers" for the transaction details with Customer J; and (ii) the sales volume from Chinese Mainland increased, primarily due to our sales and marketing efforts, maintenance of customer relationships, and the increasing demand from domestic downward customers during the Track Record Period.

Pricing of Our Products and Services

Pricing of Our SiC Epitaxial Wafers

As our SiC epitaxial wafers are primarily customized to satisfy different customers' demands, the pricing of our products results from a comprehensive determination of considerations. We have primarily adopted cost-plus pricing model with a markup percentage to determine the selling price of our products, which varies among customers and is primarily determined based on different factors. Major factors that impact the pricing of our products include characteristics of epitaxial wafers such as raw material cost, size of epitaxial wafer requested, yield rate, total usable area, epitaxial growth time and voltage level, purchase order status such as quantity of epitaxial wafers involved, urgency of delivery and location of the customer, as well as the pricing of competing products in the market. Generally, we charge the customer a higher price for more urgent purchase orders with more stringent characteristic requirements.

To counter the decreasing trend in the market selling prices of SiC substrates and SiC epitaxial wafers in the coming years, we plan to adopt the following pricing strategies to improve our profitability: (i) we will continue to adopt cost-plus pricing model regarding our current product portfolio to the extent possible, for which we will actively source raw materials at lower prices and strive to reduce our manufacturing costs, and improve product features and expedite delivery of our products to increase our bargaining power; (ii) where cost-plus model is not feasible even after we have controlled or reduced costs, we will prudently balance the price attractiveness of our products and our profit margin, taking into account various factors including but not limited to whether a customer may place bulk purchase orders in the foreseeable future from which we may achieve economy of scale, or whether developing a customer may be helpful for us to enter into a new market and increase sales and profitability in the foreseeable future; and (iii) we are developing next generation of products to be in a better position to get away from the impact of decreasing price trend.

Fluctuation of ASP during the Track Record Period

During the Track Record Period, the ASP of our SiC epitaxial wafers ranged from approximately RMB3,800 to RMB9,300. The fluctuation of the ASP of our SiC epitaxial wafers during the Track Record Period was primarily attributable to our product mix, as our 4-inch, 6-inch and 8-inch SiC epitaxial wafers had different range of ASP driven by market conditions and adjustments of our pricing strategy. See "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Sales of Epitaxial Wafers" for a detailed analysis of ASP during the Track Record Period.

Despite the adoption of our cost-plus pricing model, we generally procure substrates in advance based on communication with customers on their expected purchase orders, and ensure our inventory has sufficient raw materials to meet customers needs. However, the customers may delay placing purchase orders or reduce the order volume in the actual purchase orders they place. As an effort to tackle the challenge of decreasing market price, we flexibly lowered the selling price of our products during the Track Record Period to maintain our industry position and gain market share. As such, our margin was adversely affected led by the decreasing trend in the selling prices of both SiC epitaxial wafers and substrates over the Track Record Period. Accordingly, we recorded provision for write-down of inventories for both raw materials and finished goods for each of the year or period end before utilizing the raw materials or delivery of the products to the customers during the Track Record Period. See "Financial Information — Description of Major Components of Our Results of Operations."

Pricing of Our SiC Epitaxial Wafer Related Services

We price our SiC epitaxial wafer related services at standardized rates. We take into consideration various factors for pricing of our services, including the costs of service personnel, customer demands, market price trend, and competitive landscape. Typically, we charge our customers a fixed amount of service fees for providing these services.

RESEARCH AND DEVELOPMENT

Overview

Over the years, we have been devoted to the R&D and innovation of fabrication and manufacturing processes of SiC epitaxial wafers. We consider that we possess comprehensive knowledge of the technical specifications and features, functionalities and applications of SiC epitaxial wafers, based on which we perform day-to-day R&D activities along with our production and manufacturing activities. We have established an R&D center at our headquarters in Dongguan, China, where we actively engage in resolving technological and manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. Our achievements in R&D is evidenced by a proven history of generating intellectual property and industry recognitions. As of May 31, 2025, our R&D efforts had accumulated 84 patents, consisting of 33 invention patents and 51 utility model patents. We have undertaken or participated in three national key R&D plan projects and seven provincial and municipal key R&D projects. Moreover, we have led or contributed to the drafting of one international standard, 13 national standards, 12 group standards, and four enterprise standards as of the same date. We have also won prizes widely recognized by the industry. See "— Intellectual Property" and "— Awards and Recognitions."

During the Track Record Period, our R&D expenses amounted to RMB29.2 million, RMB55.3 million, RMB61.0 million, RMB30.3 million and RMB19.9 million in 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, respectively, demonstrating our significant and continuous efforts into the R&D of our products and technologies.

Our Core Technologies

The core technologies applied to the manufacturing of SiC epitaxial wafers primarily include epitaxial growth technologies, grinding and polishing technologies, and cleaning technologies. We have, after years of R&D investment and mass production practice, mastered a number of core technologies that cover the main production phases of SiC epitaxial wafers. All of these core technologies are in-house developed, and are currently used in the mass production of SiC epitaxial wafers.

The following table illustrates our core technologies, which have laid a solid foundation for our R&D and manufacturing of SiC epitaxial wafers:

Name	Description	Major Application
8-inch SiC epitaxial production technology	We have developed the capability of mass production of 8-inch SiC epitaxial wafers, effectively improving utilization of epitaxial wafers and significantly reducing the manufacturing cost of a single power device.	8-inch SiC epitaxial wafers
Multi-layer epitaxial growth technology	By making different epitaxial layers or buffer layers, we can optimize the interface characteristics between the SiC single crystal substrate and the buffer layer, two buffer layers, the buffer layer and the epitaxial layer, and two epitaxial layers. This technology can reduce the lattice mismatch on the interface of every two layers, thereby achieving a more ideal interface state and electrical performance conditions. We are able to grow up to seven epitaxial layers with our multi-layer epitaxial growth technology, satisfying the diverse needs of customers.	4-inch/6-inch/8-inch SiC epitaxial wafers
Ultra-high uniformity large-area epitaxial growth technology	Taking into account the structural design of the reaction chamber and gas pipeline, and reasonable settings of key process parameters, we have developed a large-sized SiC epitaxial process with ultra-high concentration uniformity, improving the stability of the product quality and achieving a good uniformity in the condition of ultra-high concentration.	4-inch/6-inch/8-inch SiC epitaxial wafers

Name	Description	Major Application
Technology of downfall on epitaxial wafer surface controlling	Through a series of R&D processes, including epitaxial process optimization, graphite accessory structure and composite coating design, and equipment transformation, we have achieved an effective reduction in the density of epitaxial downfall defects, thereby improving the quality of an epitaxial wafer and the performance of the corresponding power device.	4-inch/6-inch/8-inch SiC epitaxial wafers
Basal plane dislocation (BPD) defect control technology	Through interface buffer layer structure design, process window optimization and stress field improvement, we have achieved an improvement in the BPD conversion efficiency of 6-inch and 8-inch SiC epitaxial wafers, therefore improving the performance of the epitaxial wafers.	6-inch/8-inch SiC epitaxial wafers

Capitalizing these core technologies, our product performance is already recognized as being at the international leading level, according to Frost & Sullivan. In certain areas, we have realized achievements through independent R&D, reaching the technical standards of global industry leaders. For details, See "— Our Competitive Strengths — Industry-recognized technologies in key areas and continuously iterated production processes."

Our R&D Process

Our R&D center is responsible for and leads our daily R&D activities. We take into account our overall business strategies, technological feasibility demonstration, market research results and customer needs, carry out the R&D of new products, new technologies and other cutting-edge technology research activities.

The major phases of our R&D process includes the followings:

- ***Feasibility study.*** Taking into account recent market research, customer demand survey results, government project analysis and collected customer needs, we formulate preliminary R&D goals and conduct feasibility analysis.

- ***Application and commencement.*** After the preliminary feasibility study, we select the project leader and team members and prepare the project application form, which typically includes the project name, research subject, expected goals, feasibility analysis, project budget and detailed plans.

- ***Execution.*** Once the project application is approved, the R&D team carry out daily R&D work in accordance with the approved plans, and hold project discussion meetings regularly to resolve issues encountered during the development process. The project leader is responsible for the overall supervision and management during the project execution.

- ***Examination and acceptance.*** The project leader determines the completion of all project goals based on the implementation of the project, initiates the project acceptance application, prepares the implementation summary report and completion application form, and submits to the R&D center for review. After the project is accepted, our R&D center evaluates the development results and takes various measures to protect the IP rights.

Our R&D Team

We have established our R&D center in Dongguan, China, where we actively engage in resolving manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. Our R&D capabilities enable us to possess solid foundational technologies, a science-oriented and rigorous R&D management system, and an ability to develop, manufacture and upgrade existing and new products. As of May 31, 2025, we had 94 R&D members, nearly 80% of which possessed a bachelor's degree or above, and over 40% of which possessed over five years of professional experience.

In addition, we occasionally invite industry experts from external institutions to provide training sessions in relation to industry know-how for our R&D members. We also exchange ideas and thoughts on R&D progress or latest market trends by attending industry forums and hosting academic conferences. We consider our communication with industry experts and participation in industry events helpful to our R&D activities.

Our Continuous R&D Efforts

We recognize the importance of R&D combined with daily manufacturing and production practices. We consider our continuous investment and efforts in R&D crucial to our business success. See "— Our Strategies — Continue to invest in R&D to promote technological innovation and enrich product portfolio." To keep pace with the evolving industry standards and practices for SiC epitaxial wafers, we continuously refine, iterate and upgrade our products, technologies and manufacturing processes based on customer feedback and market survey. Our ongoing R&D projects primarily include applications and commercialization of next-generation SiC epitaxial wafers for semiconductor power devices in new, high-tech industries, including new energy vehicles, aerospace, among others.

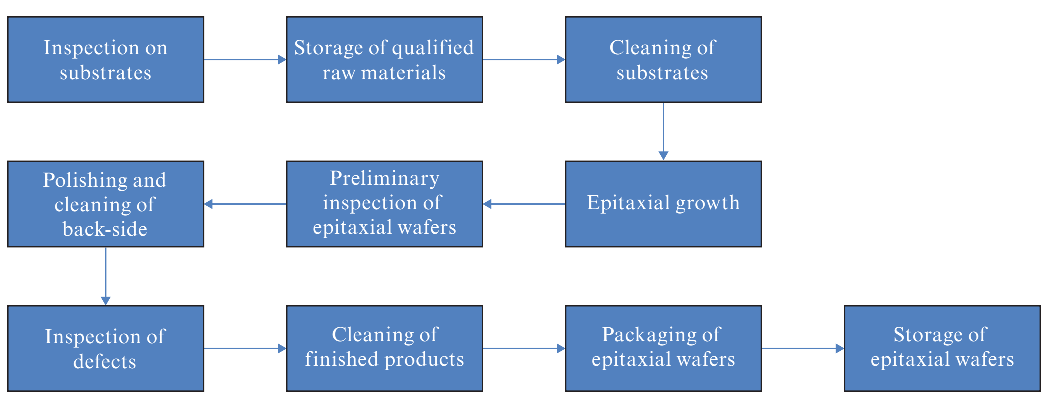
As we are committed to R&D investment, we plan to use approximately HK$252.3 million in enhancing our R&D and innovation capabilities over the next five years, including, among others, HK$101.9 million in establishing R&D infrastructure, HK$50.1 million in purchasing semiconductor materials and HK$43.4 million in maintaining and expanding our R&D team, so as to increase our overall competitiveness in the industry. See "Future Plans and Use of Proceeds — Use of Proceeds."

PRODUCTION

Production Process

We primarily adopt a sales volume-based production model, and maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves. We currently maintain a production base at our headquarters in Dongguan, China, which leads the entire production process and is primarily used for the production and manufacturing of all sizes of SiC epitaxial wafers. In addition, our new production base located at Ecological Park site in Dongguan, the construction of which has been completed and which we expect to primarily use for the production of 8-inch SiC epitaxial wafers with a capability to manufacture 6-inch SiC epitaxial wafers, will be put in use by the end of 2025. See "— Production — Production Bases" for more information. Each year, our production center prepares a production plan based on our production capacity, equipment operation status and sales plan. The production plan, after approval by both the head of our production center and the head of our manufacturing department, is then distributed to our manufacturing department, which carries out the production tasks in accordance with the production plan and technical requirements. We impose strict quality control of our SiC epitaxial wafers, conduct product testing and quality inspections from time to time to ensure the quality of our products.

The following chart demonstrates our production process:



Production Equipment and Machinery

Our advanced manufacturing facilities are essential for enhancing product quality and cost competitiveness. Most of our machines and equipment are highly automated, which allows us to enhance manufacturing efficiency and reduce labor costs. Our major production equipment and machinery include SiC epitaxial furnaces (including single wafer and double wafer epitaxial furnaces), automatic tank cleaning equipment, and equipment used to grind and polish the surface of the epitaxial wafers, inspect the defects, and determine the epitaxial layer thickness, flatness and roughness of the surface, all of which are mainstream semiconductor equipment applicable to all sizes of SiC epitaxial wafers and can be shared to produce all types of products. We use our manufacturing facilities for certain of our R&D activities when they are idle as we invest into efforts of a combined practice of R&D and production activities.

As of the Latest Practicable Date, we possessed 28 double wafer epitaxial furnaces and 152 single wafer epitaxial furnaces. These furnaces can be used for the production of both 6-inch and 8-inch SiC epitaxial wafers.

Production Bases

We currently maintain one production base at our headquarters. Located in Dongguan, China, our headquarters production base has a GFA of approximately 35,978 sq.m., and possesses two production lines with a capability to manufacture all sizes of our SiC epitaxial wafer products. As of May 31, 2025, our headquarters production base possessed an annual production capacity of approximately 420,000 pieces of SiC epitaxial wafers.

We have completed the construction of our new production base located at Ecological Park site in Dongguan, which is about 15 minutes' driving distance to the Songshan Lake North Station. Our Ecological Park production base is established on a piece of land with a GFA of approximately 63,198 sq.m. which holds an aggregate designed annual production capacity of 1.6 million epitaxial wafers, and will be equipped with advanced production equipment and machinery and multiple production lines in the next two years. We expect to primarily use our new Ecological Park production base to meet our anticipated production focus of 8-inch SiC epitaxial wafers, with a capability to manufacture 6-inch SiC epitaxial wafers. We commenced the construction of our Ecological Park production base in the first quarter of 2023 in anticipation of the growing market. We completed the construction of Ecological Park production base and installation and debugging of the equipment in the first quarter of 2025, and will put the Ecological Park production base in use after we complete the inspection and acceptance procedure of construction projects. We anticipate to commence the official use of our Ecological Park production base by the end of 2025. We expect that our new Ecological Park production base will, once all equipment and necessary technical personnel are in place and subject to actual downstream demands, bring an additional annual planned production capacity of approximately 380,000 pieces of SiC epitaxial wafers within 2025, making our total annual production capacity to approximately 800,000 pieces of SiC epitaxial wafers.

The following table illustrates the maximum available production capacity, production volume and utilization rate of our headquarters production base for the years indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Maximum Available Production Capacity(1)	Production Volume(2)	Utilization Rate(3) (%)	Maximum Available Production Capacity(1)	Production Volume(2)	Utilization Rate(3) (%)	Maximum Available Production Capacity(1)	Production Volume(2)	Utilization Rate(3) (%)	Maximum Available Production Capacity(1)	Production Volume(2)	Utilization Rate(3) (%)	Maximum Available Production Capacity(1)	Production Volume(2)	Utilization Rate(3) (%)
	(pieces of epitaxial wafers, expect for percentages)														
Headquarters Production Base	50,557	45,362	89.7	171,748	141,813	82.6	256,677	79,610	31.0	108,170	31,671	29.3	135,548	79,891	58.9

Notes:

(1) The maximum available production capacity of furnace in a given year/period is calculated as the number of furnaces multiplied by the maximum number of epitaxial wafers produced each furnace per day, multiplied by 365 days or 151 days, as appropriate. The maximum available production capacity is subject to the timing of completion of installation and debugging of each piece of our furnace in that year/period. Our production capacity continuously increased during the Track Record Period due to the expansion and the completion of the ramp-up period of our headquarters production base.

(2) The production volume refers to the actual epitaxial wafer output in a given year/period, which includes the number of epitaxial wafers under our foundry services.

(3) The utilization rate during the year or period is calculated by dividing production volume by the maximum available production capacity for the same year. Our utilization rate dropped in 2024 as a result of a substantial decrease in our production volume, primarily due to changes in overall market conditions and decreases in our sales from the overseas market. Despite the decreased utilization rate in 2024, we still ramp up our production capacity to cater for the potential market demand. According to Frost & Sullivan, production capacity would be one of the key consideration factors in order to assess the overall competence of the suppliers by their downstream customers. As such, it may be unavoidable for us to consider expansion of the production capacity under the current market situation. See "— Challenges to Our Industry and Our Business." Our utilization rate increased significantly for the five months ended May 31, 2025 as compared to the corresponding period in 2024, primarily as a result of a substantial increase in our production volume due to a surge in orders for the five months ended May 31, 2025.

(4) We take into calculation all sizes of SiC epitaxial wafers when deriving the maximum available production capacity. We do not segregate the maximum available production capacity by different types of SiC epitaxial wafers, as our production furnaces can be shared to produce all types of products. Our actual production volume of each size of SiC epitaxial wafers is determined by our customers' differentiated demands in the purchase orders.

We conduct careful and timely maintenance of our production facilities and equipment. Each piece of our major production equipment or power machinery undergoes regular servicing and maintenance routine checks twice per day, and adhering to predefined schedules. We have established and will continually update internal procedures tailored to the unique characteristics and requirements of each piece of production equipment or power machinery. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspensions of operations due to equipment, machinery or other mechanical failures.

SALES AND MARKETING

We market our SiC epitaxial wafers through our internal sales and marketing department, which is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing department leads the formulation and coordination of marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our products, and are able to identify the requests of our customers. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs.

As of May 31, 2025, our sales and marketing team consisted of 13 members who worked closely with our R&D, production and manufacturing departments to execute our marketing strategies. In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, our selling and distribution expenses amounted to RMB8.1 million, RMB12.0 million, RMB19.0 million, RMB6.9 million and RMB6.7 million, respectively, accounting for 1.9%, 1.0%, 3.7%, 2.3% and 2.6%, respectively, of our revenue for the corresponding years/periods.

Our Sales Channels

We have adopted a sales model, based on which our products are primarily sold through direct sales channels, and the rest are sold through distribution channels as a supplement. The table below sets out a breakdown of our revenue by sales channel for the years indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Sales Amount		Sales Amount		Sales Amount		Sales Amount		Sales Amount	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)*	%
Direct sales channels	385,730	88.3	1,154,647	98.6	511,221	98.4	295,068	99.3	254,924	99.3
Distribution channels	51,125	11.7	16,567	1.4	8,401	1.6	2,201	0.7	1,912	0.7
Total	436,855	100.0	1,171,214	100.0	519,622	100.0	297,269	100.0	256,836	100.0

Direct Sales

At the commencement of establishing a new business relationship with a direct customer, we generally require the customer to enter into a non-disclosure agreement to protect our technical and commercial data and information. We conduct internal review, prepare benchmarking response and make quotation according to our customer's product specification requirements, and perform sample product delivery for verification purpose. Once our product undergoes verification, passes the customer's qualification inspection and is accepted by the customer, we negotiate and enter into direct sales agreement or framework sales agreements with the customer, and prepare for production and delivery. Alternatively, our direct sales customers may choose to place purchase orders directly with us without entering into sales agreements for individual purchases of certain components and parts. Purchase orders normally specify the description of the purchase products, quantity, price, payment term and delivery term.

In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, revenue from direct sales amounted to RMB385.7 million, RMB1,154.7 million, RMB511.2 million, RMB295.1 million and RMB254.9 million, respectively, representing 88.3%, 98.6%, 98.4%, 99.3% and 99.3% of the total revenue for the same years/periods, respectively. A majority of our products to domestic customers are sold through direct sales. In 2022, 2023 and 2024 and for the five months ended May 31, 2025, we had 111, 143, 180 and 87 direct sales customers, most of which were power semiconductor device foundries. The adoption of direct sales enables us to precisely understand and respond to customer requirements, allowing us to offer tailored services that meet our customers' specific needs.

The salient terms of our direct sales framework agreements during the Track Record Period are set out below, which generally have a term of one to three years:

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

- ***Payment and credit term.*** We generally require our customers to pay an advance payment totaling 20% of the total amount within seven days from the date of the signing of the agreement and the remaining amount shall be paid within certain days ranging from 15 to 180 days from the date of invoice after delivery of the products.

- ***Logistics.*** We are responsible for delivering our products to locations designated by our direct sales customers.

- ***Quality, inspection and acceptance.*** We shall deliver the products according to the technical parameters mutually agreed in the agreements. Our direct sales customers can require to inspect the products before shipping. We shall replace the products if the product quality does not meet the requirements listed in the agreement. The risks transfer to direct sales customers after they confirm receipt of our products.

- ***Warranty.*** We normally grant our direct sales customers a warranty period of one year. We typically do not allow our direct sales customers to return products to us. Under certain circumstances in relation to quality issues, our direct sales customers may request replacement of such defect products in written notice. During the Track Record Period and up to the Latest Practicable Date, we had not received any warranty claims with respect to product defects or quality issues from our customers. The number of product returns during the Track Record Period and up to the Latest Practicable Date was two, nil, 125 and nil pieces, from one, nil, one and nil customer, resulting in a return amount of RMB33.6 thousand, nil, RMB984.5 thousand and nil in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively. The product returns in 2022 were due to change of order by our customer after consultation with us and we fulfilled the updated order in 2023. The product returns in 2024 were mainly due to defects observed in some products. Such returned products were scrapped and we provided new products, as a result of which we incurred extra costs of RMB13.9 thousand and RMB959.0 thousand in 2022 and 2024, respectively.

- ***Exclusive remedy.*** Exclusive remedy granted to our direct sales customers is limited to either (i) replacement of the products that do not meet the warranty or refund of the purchase price; or (ii) the compensation amount for certain claimed products not exceeding the purchase price. The direct sales customer shall raise the request to us 30 days prior to the expiry of the warranty period.

- ***Dispute resolution.*** Any dispute arising out of or relating to the agreement shall be referred to and resolved by the pre-agreed arbitration tribunal.

Distribution

We mainly use distributorship model to sell our products to a portion of overseas downstream customers. This helps us save time and costs when penetrating certain overseas sales networks, allowing us to focus our limited resources and attention on maintaining more valuable customer relationships. In 2022, 2023 and 2024 and for the five months ended May 31, 2024 and 2025, the revenue from our distributors amounted to RMB51.1 million, RMB16.6 million, RMB8.4 million, RMB2.2 million and RMB1.9 million, respectively, representing 11.7%, 1.4%, 1.6%, 0.7% and 0.7% of the total revenue for the same years/periods, respectively. The significant decrease in the revenue generated from our distributors from 2022 to 2023 was mainly due to the decrease in the demand from South Korean customers who make purchases through our distributors in such region, and we put more focuses on the direct sales resulting in maintaining a relatively low level of revenue generated from our distributors. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with our distributors.

We select the distributors based on a number of criteria, including, among others, their regional marketing resources, knowledge and experience of sales of SiC epitaxial wafers, relationships with our target downstream customers, technical capabilities and overall financial condition. We maintain a list of qualified distributors, and manage these distributors and determine whether to continue our contractual relationships with them based on their performance.

The distributors purchase SiC epitaxial wafers from us and maintain their own inventories. To the best knowledge of our Directors, channel stuffing issue generally does not apply to us given that we do not impose minimum purchase requirement on distributors and we generally do not allow distributors to return any unsold products to us. Under certain circumstances, such as product defects caused by us, we allow distributors to replace or return unsold products. Moreover, our Directors do not believe that cannibalization risks exist among our distributors, as each of them has a different regional or downstream application area customer target. We maintain regular communication with our distributors, and periodically request our distributors to provide us with sales summary reports to acknowledge their inventories and sales targets.

During the Track Record Period, we primarily collaborated with seven distributors. The following diagram sets out the background of each of the seven distributors, and the overseas market they help us penetrate:

Distributor	Background	Market outreach
Distributor A	Incorporated in Taiwan, engaging in wholesale of electronic products, appliances and components	Taiwan
Distributor B	Incorporated in South Korea, engaging in the provision of procurement services for IDM semiconductor companies	South Korea
Distributor C	Incorporated in Shanghai, engaging in the import and export of goods with extensive sales channels	Japan, Shanghai
Distributor D	Incorporated in Japan, engaging in the provision of procurement services for IDM semiconductor companies	Japan
Distributor E	Incorporated in Japan, engaging in the provision of procurement services for IDM semiconductor companies	Japan
Distributor F	Incorporated in Xiamen, specializing in R&D, manufacturing and sales of semiconductor materials including Si and SiC	Xiamen
Distributor G	Incorporated in Suzhou, specializing in the trading of electronic special materials and ICs	Suzhou, Hangzhou

We stringently review our business relationship with distributors through periodic assessment. We did not terminate our business relationship with any of our major distributors during the Track Record Period. We generally maintain good business relationship with our existing distributors. To the best of our knowledge, our distributors did not resell our products to any sub-distributors during the Track Record Period.

To the best of our knowledge, all of our distributors are Independent Third Parties. The distributors are not connected to any of the Company, our subsidiary, their shareholders, directors, senior management or any of their respective associates. To our best knowledge, there is no relationship between the distributors and each of our Company, our subsidiary, our shareholders, directors or senior management or any of their respective associates other than the distribution arrangements. Our distributors place purchase orders with us when and to the extent they deem appropriate. In general, our relationships with distributors have remained stable.

The salient terms of our standard distribution agreements with distributors during the Track Record Period are set forth below:

- ***Grant of rights to sell distributed products.*** We grant to the distributor a non-exclusive right to sell certain of our products within certain region during the term of agreement and a non-exclusive right to use the patent rights and trademark in connection with the sale of such products. The distributor devotes it best efforts to market and sell such products.

- ***Duration.*** The agreement normally lasts one to three years.

- ***Price and sales.*** We sell our products to distributors at mutually agreed price levels. The distributor is entitled to set its resale price to its customers at its own discretion.

- ***Payment term.*** The distributor normally shall make the payment within certain days ranging from 15 to 90 days from the date of invoice after we deliver the products.

- ***Overdue payments.*** We have the right to charge interest at certain rate or the maximum rate allowed by applicable law, whichever is less, on all overdue amounts without prior notification to the distributor. If the payment is overdue for more than 30 days, we are entitled to terminate the agreement and require the distributor to pay the arrears and interest.

- ***Warranty.*** We warrant that the products meet the sales specifications in effect at the time of shipment.

- ***Exclusive remedy.*** Exclusive remedy granted to the distributor is limited to either (i) replacement of the products that do not meet the warranty or refund of the purchase price; or (ii) the compensation amount for certain claimed products not exceeding the purchase price. The distributor shall raise the request to us 30 days prior to the expiry of the warranty period.

- ***Termination.*** The agreement may be terminated by a notice of certain period, normally 30 days' to 90 days', in writing by us to the distributor upon occurrence of certain events.

- ***Dispute resolution.*** Any dispute, controversy, difference or claim arising out of or relating to the agreement shall be referred to and resolved by the pre-agreed arbitration tribunal.

Marketing and Branding

Maintaining, promoting and enhancing our company brand is critical to our operations and business. The successful promotion of our brand depends on the effectiveness of our marketing efforts and protective measures. Utilizing flexible and diversified marketing strategies, we strive to enhance our brand awareness, obtain new customers and improve the stickiness of existing customers. However, we cannot guarantee that our marketing efforts or protective measures will be successful, or that they will yield significant benefits that justify the marketing expenses and costs. See "Risk Factors — Risks Relating to Our Business and Industry — 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."

Marketing

We market our SiC epitaxial wafers through our internal sales and marketing department, which is responsible for identifying suitable potential markets and customers. We acquire direct sales customers primarily by capitalizing on our robust brand reputation and substantial industry influence established through long-term collaboration with top-tier companies across diverse application areas, together with other marketing activities such as industry exhibitions and forums, online social media, sending emails, making cold calls and paying on-site visits according to our marketing strategies. In addition, along with our sales of SiC epitaxial wafers, we provide after-sales technical support to our customers, which is indispensable to customers' use and application of our products and thus effectively benefit and support our customers' operations.

Furthermore, we will further expand our global sales and marketing network by establishing sales centers in Malaysia, Italy and Japan. See "Future Plans and Use of Proceeds — Use of Proceeds." We expect to benefit from our globalized sales network and branding initiatives through expanding our customer outreach and strengthening our relationship with overseas customers.

Brand Promotion

Since our inception, we have actively helped establish several key institutions, participated in national, provincial and municipal projects, and led or contributed to the drafting of industry standards to improve our competitiveness, brand awareness and credibility. See "— Our Competitive Strengths — Industry-recognized technologies in key areas and continuously iterated production processes." To protect our brand, we apply for patents, trademarks and copyrights based on our brand strategies and business needs. Various internal teams, such as the brand marketing team and research and development team, actively collaborate to identify valuable, creative works for intellectual property application. These efforts have resulted in the establishment of a rich repository of intellectual property rights, providing a solid foundation for our future business development. As of the Latest Practicable Date, we had registered our material patents, copyrights and trademarks in Chinese Mainland, Hong Kong, Japan, South Korea, Australia, the United Kingdom, Singapore, Germany, Malaysia and Italy. In addition, we have also registered our domain names. See "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix VII.

Our Customers

We mainly provide our products to customers engaging in the R&D, production and sales of semiconductor chips and other related products and their representative offices in relevant regions. In 2022, 2023 and 2024 and for the five months ended May 31, 2025, revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB268.5 million, RMB904.1 million, RMB391.0 million and RMB158.8 million, representing 61.5%, 77.2%, 75.2% and 61.8% of our total revenue for the respective years/period, while the largest customer in each year/period during the Track Record Period contributed 21.1%, 42.0%, 43.5% and 16.6% of our total revenue, respectively, for the same years/period.

Our five largest customers in each year/period comprising the Track Record Period were different. Our major customers remain good relationships with us, and continuously make purchases from us with different purchase amounts in each year/period. The shuffling of our five largest customers in each year/period comprising the Track Record Period was primarily due to, to the best knowledge of our Directors, a change in our customers' downstream demand which resulted in a shuffling of their suppliers which, according to Frost & Sullivan, is in line with the industry practice. In addition, a significant portion of our revenue was derived from our five largest customers in each year/period comprising the Track Record Period. In particular, our strong performance and profitability were largely attributable to the revenue generated from Customer J in 2023 and Customer L in 2024. Given the significant revenue contribution by our major customers in aggregate, any decrease in sales from, or loss of, one or more of our major customers would harm our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration and counterparty risks from our major suppliers and customers."

Although there appeared to be a substantial contribution of revenue from a limited number of customers during the Track Record Period, we believe there is no material reliance risk between each of the customers and us considering the composition of our top five customers varied each year/period during the Track Record Period due to shifts in downstream demand and project cycles, which is typical in the SiC epitaxial wafer industry. Furthermore, Frost & Sullivan has advised us that such concentration is common in the semiconductor industry given the high technical requirements, long product qualification cycles, and the need for close collaboration between suppliers and leading power semiconductor manufacturers. Top five customers could contribute over 50% of the revenue of an SiC epitaxial wafer provider, which is common in the industry, according to the same source. Frost & Sullivan further advises that the revenue contribution by the top five customers of each of the top five SiC epitaxial wafer providers exceeded 50% of their respective total revenue in 2024. Despite the varying composition, our top five customers as a whole have mutually dependent relationship with us, as these top customers are primarily engaged in development and sales of SiC semiconductor devices to which our SiC epitaxial wafers are critical components, and generally spend time on conducting testing and validation of our products before adopting them to their products. Therefore, we anticipate receiving purchase orders from the top five customer group in the future.

In addition, although our business transactions with the customers may be affected due to global trade tensions, we are of the view that the relationship between our top customers and us is unlikely to materially adversely change or terminate, because (i) these top customers are primarily engaged in development and sales of SiC semiconductor devices, to which our SiC epitaxial wafers are critical components; (ii) we have maintained a long-term and stable business relationship, part of which are evidenced by framework sales agreements, with a majority of the top five customers in each year/period comprising the Track Record Period, with a collaboration history of at least two years; (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with any of the top five customers in each year/period comprising the Track Record Period; and (iv) currently there is no indication or sign from any of our top customers that it will alter its existing relationship with us in any aspect in the near future. Despite the concentration issue, we do not believe any change in the relationship with our top customers would have any material adverse impact on our business as we are striving to cope with such issue. For example, we intend to deepen customer relationships by focusing on customer needs and enhancing customer stickiness. We also aim to acquire new customers domestically and internationally to further expand our customer base. See "— Our Strategies — Deepen customer relationships and expand cooperation ecosystem."

The following tables set out the details of our five largest customers in each year/period based on their revenue contribution during the Track Record Period:

For the year ended December 31, 2022

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer F*	A private company incorporated in Hunan in 2019, focusing on the R&D and manufacturing of SiC power semiconductor devices	6-inch epitaxial wafer	2 years	30 days	Bank transfer	92,139	21.1
2	Customer G	A private company incorporated in Shanghai in 2017, focusing on developing SiC power and SiC power module products, and providing one-stop chip solutions in relation to SiC power semiconductor applications	6-inch epitaxial wafer	1 year	30 days	Bill and bank transfer	79,721	18.2
3	Customer H	A company located in South Korea, mainly engaged in the manufacture of semiconductors and other electronic components	6-inch epitaxial wafer	2 years	30 days	Bank transfer	45,854	10.5
4	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	2 years	30 days	Bank transfer	28,243	6.5
5	Customer I	A public one-stop chip system outsourcing solution provider incorporated in Zhejiang in 2018, listed on the Shanghai Stock Exchange, focusing on the fields of power semiconductors, sensing signal chains, and connections	6-inch epitaxial wafer	Within 1 year	30 days	Bank transfer	22,587	5.2
	Total						**268,544**	**61.5**

* Customer F was also our supplier during the Track Record Period. See "— Overlapping of Customers and Suppliers."

For the year ended December 31, 2023

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer J[1]	A subsidiary of a U.S. listed company, incorporated in South Korea in 1998, mainly engaged in the manufacture of diodes, transistors and similar semiconductor devices	6-inch epitaxial wafer	1 year	30/60 days	Bank transfer	491,791	42.0
2	Customer K	A private company incorporated in Guangdong in 2003, mainly engaged in manufacture of integrated circuit chips	6-inch epitaxial wafer	1 year	30 days	Bill and bank transfer	125,738	10.7
3	Customer G*	A private company incorporated in Shanghai in 2017, focusing on developing SiC power and SiC power module products, and providing one-stop chip solutions in relation to SiC power semiconductor applications	6-inch epitaxial wafer	2 years	30 days	Bill and bank transfer	119,232	10.2
4	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	3 years	30 days	Bill and bank transfer	88,906	7.6
5	Customer F	A private company incorporated in Hunan in 2019, focusing on the R&D and manufacturing of SiC power semiconductor devices	6-inch epitaxial wafer	3 years	30/60 days	Bank transfer	78,456	6.7
	Total						**904,123**	**77.2**

* Customer G was also our supplier during the Track Record Period. See "— Overlapping of Customers and Suppliers."

For the year ended December 31, 2024

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer L[(2)]*	A public high-tech company incorporated in Zhejiang in 1997, listed on the Shanghai Stock Exchange, specializing in the design, production, and sales of integrated circuits and semiconductor microelectronics related products	6-inch epitaxial wafer	3 years	30/60 days	Bill and bank transfer	225,907	43.5
2	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	4 years	30 days	Bill and bank transfer	63,549	12.2
3	Customer M	A private company incorporated in Guangdong in 2021, mainly engaged in the R&D and manufacture of SiC chips	6-inch epitaxial wafer	2 years	30/60/90 days	Bank transfer	37,821	7.3
4	Customer J[(1)]	A subsidiary of a U.S. listed company, incorporated in South Korea in 1998, mainly engaged in the manufacture of diodes, transistors and similar semiconductor devices	6-inch epitaxial wafer	2 years	30/60 days	Bank transfer	35,968	6.9
5	Customer N	A private company incorporated in Guangdong in 2022, integrating R&D, production and manufacturing, and sales of chips	6-inch epitaxial wafer	1 year	15/30 days	Bank transfer	27,741	5.3
	Total						**390,986**	**75.2**

* Customer L was also our supplier during the Track Record Period. See "— Overlapping of Customers and Suppliers."

For the five months ended May 31, 2025

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer L	A public high-tech company incorporated in Zhejiang in 1997, listed on the Shanghai Stock Exchange, specializing in the design, production, and sales of integrated circuits and semiconductor microelectronics related products	6-inch epitaxial wafer/SiC epitaxial foundry services	4 years	30/60 days	Bill and bank transfer	42,580	16.6
2	Customer F	A private company incorporated in Hunan in 2019, focusing on the R&D and manufacturing of SiC power semiconductor devices	6-inch epitaxial wafer	4 years	180 days	Bank transfer	35,135	13.7
3	Customer G	A private company incorporated in Shanghai in 2017, focusing on developing SiC power and SiC power module products, and providing one-stop chip solutions in relation to SiC power semiconductor applications	6-inch epitaxial wafer	3 years	30 days	Bill and bank transfer	27,949	10.9
4	Customer O	A private company incorporated in Zhejiang in 2024, mainly engaged in manufacture of integrated circuit chips and semiconductor chips	6-inch epitaxial wafer/ 8-inch epitaxial wafer	Within 1 year	30/60 days	Bank transfer	26,642	10.4
5	Customer K	A private company incorporated in Guangdong in 2003, mainly engaged in manufacture of integrated circuit chips	6-inch epitaxial wafer/SiC epitaxial foundry services	2 years	60 days	Bank transfer	26,512	10.3
	Total						**158,818**	**61.8**

Note:

(1) We became acquainted with Customer J in July 2019 through our marketing campaigns. Prior to the establishment of formal business relationship with Customer J, there was a verification and inspection stage. See "— Sales and Marketing — Our Sales Channels — Direct Sales." In 2023, Customer J increased its purchase amount, primarily due to its increasing demand as a result of its primary focus towards automotive and industrial markets. Customer J reduced its purchase from us in the first half of 2024 and generally no longer made purchases from us as a Chinese manufacturer in the second half of 2024, primarily due to, to the best knowledge of the Company, changes in U.S. trade policy affecting certain semiconductor imports from China.

(2) We became acquainted with the group of Customer L in June 2021 through our marketing campaigns. Prior to the establishment of formal business relationship with Customer L, there was a verification and inspection stage. See "— Sales and Marketing — Our Sales Channels — Direct Sales." Customer L remained one of our top ten customers in each year/period comprising the Track Record Period. In 2024, Customer L increased its purchase amount, primarily due to the increasing demands from its downstream customers, which resulted from Customer L's ability to obtain purchase requests from its downstream customers leveraging its strong market position as demonstrated in Customer L's publicly available documents. For the five months ended May 31, 2025, Customer L decreased its purchase from us, as Customer L was, to the best of our knowledge, optimizing and updating its production lines to be prepared for the iteration of technology and larger-size SiC epitaxial wafer products.

As disclosed above, we have been acquainted with some of our top five customers during the Track Record Period before establishing a business relationship with them given the industry position of us and these customers as well as other business opportunities in the semiconductor industry. These customers may send us mass production orders quickly after they have approved our products through the verification process depending on the market condition and therefore become a top five customer of ours within one to two years after commencement of business relationships with us.

The high degree of variability among our top five customers during the Track Record Period was primarily due to shifts in downstream demand and project cycles, which is typical in the SiC epitaxial wafer industry. Despite this variation, most top customers have remained our long-term partners. This variability is in line with industry norm, as confirmed by Frost & Sullivan; it has also reflected our diverse and expanding customer base. Our customers were satisfied with the products we provided during the Track Record Period and there were no material complaints during the same period.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year/period during the Track Record Period were Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year/period comprising the Track Record Period as of the Latest Practicable Date.

During the Track Record Period, we did not have any material disputes with, nor did we receive any material complaints from, our customers.

Third-party Payment Arrangements

During the Track Record Period, certain of our customers (the "**Relevant Customer(s)**") settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). In 2022, 2023 and 2024 and for the five months ended May 31, 2025, the sum of third-party payments amounted to RMB3.1 million, RMB18.3 million, RMB1.9 million and RMB0.2 million, respectively, representing approximately 0.7%, 1.6%, 0.4% and 0.06% of our total revenue for the corresponding period, respectively. Three Relevant Customers in each year/period comprising the Track Record Period, respectively, were involved in Third-Party Payment Arrangements.

During the Track Record Period and up to the Latest Practicable Date, we had not proactively initiated any Third-Party Payment Arrangements. To the best knowledge of our Directors, during the Track Record Period, each of the Relevant Customers and the relevant third-party payor were entities belonging to the same group and Third-Party Payment Arrangement was utilized by them due to their group's internal arrangement. We reconciled the sales and payments records with our customers to confirm that each of the payments made by the third-party payors corresponded to an order placed by the Relevant Customer. Given that the sum of third-party payments involved during the Track Record Period represented only an insignificant portion of our revenue, we consider that the Third-party Payment Arrangements did not have, nor will have, any material adverse effect on the liquidity, business operation and financial performance of our Group.

As advised by our PRC Legal Advisors, the Third-party Payment Arrangements are not in breach of applicable mandatory requirements of PRC laws and regulations. Moreover, as confirmed by the Company,

(i) the Third-party Payment Arrangements were not arrangements to circumvent applicable tax laws and regulations or other applicable laws and regulations in the PRC. All the customer payments previously received under the Third-party Payment Arrangements were duly booked according to the accounting procedures and policies. The Company has fully paid all taxes with respect to the payments received under the Third-party Payment Arrangements according to applicable PRC tax laws and regulations;

(ii) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements;

(iii) according to the tax compliance confirmations issued by the relevant tax authorities, the Group had not been identified for violating any applicable tax laws as a result of the Third-party Payment Arrangements during the Track Record Period;

(iv) according to Frost & Sullivan, it is not an uncommon commercial practice for customers in the semiconductor industry in China to settle their payments through third-party payors with their suppliers for convenience and flexibility; and

(v) the Group had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements as of the Latest Practicable Date.

We are subject to various risks in relation to the Third-party Payment Arrangements. For details, see "Risk Factors — Risks relating to Our Business and Industry — We are subject to various risks relating to Third-party Payment Arrangement." We have adopted internal control measures to mitigate related risks and detect future occurrences of the Third-party Payment Arrangement, including the adoption of the Sales Management Policy, pursuant to which our sales personnels shall regularly reconcile the sales records with our customers and obtain written confirmation from them on the reconciliation statements; also our accounting staff shall examine whether the contracting party, the payment party and the addressee of the invoice are consistent during payment confirmation, and shall notify our sales department and our legal advisers in case any inconsistency is found, where our sales department shall take actions based on the advice of our legal advisers. During the Track Record Period, we did not initiate any Third-Party Payment Arrangement. We have ceased all Third-party Payment Arrangements since June 2025. Given that the sum of third-party payments accounted for an insignificant proportion of our total revenue during the Track Record Period, which had also significantly decreased since 2024, our Directors consider that the Third-Party Payment Arrangement with such customers did not and will not have any material adverse impact on the Group.

PROCUREMENT AND SUPPLY

Raw Materials and Procurement

We procure from suppliers 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. We primarily adopt a production volume-based procurement model, and reserve raw materials as appropriate. We have an internal procurement department responsible for the procurement of raw materials, which formulates procurement plans annually based on the next year's sales plan and actual material needs.

We establish the *Procurement Management Policy* and *Procurement Control Procedure* to standardize and manage the procurement process. Our procurement department arranges procurement based on the procurement plans and internal procurement requests, enters into procurement agreements and places purchase orders, tracks the execution process of the procurement agreements, and ensures timely delivery of the purchased materials. After preliminary verifying the materials upon arrival, we inspect the materials in accordance with our *Product Inspection Control Procedure*.

Our Suppliers

Supplier Management

We primarily purchase raw materials from raw material production companies. Occasionally, we also purchase semiconductor devices, equipment and machinery from equipment supply companies. In order to maintain the quality of the raw materials and the stability of our supply chain, we have established a supplier management and accreditation policy to select the most suitable raw material suppliers according to our procurement plans. Our procurement department organizes other relevant departments to jointly evaluate supplier candidates, and maintain a list of qualified, experienced and reputable suppliers to ensure the quality of our products. We assess and evaluate the supplier candidates annually based on their raw material quality, production capacity, delivery capability, price level, service quality, and credentials and reputation, and give preference to the raw material suppliers who have obtained ISO9001 quality management certifications and ISO14001 or QC0800000 environmental certifications. Additionally, in our commitment to meet the IATF16949 standards and safety management requirements for automotive grade materials, we consistently oversee the advancement of our suppliers' quality management systems.

We implement stringent supplier management protocols. Prospective suppliers undergo a comprehensive evaluation before they are admitted to our list of qualified suppliers. Initially, prospective suppliers shall provide their credentials, after which we carry out an on-site audit. If the audit is passed, we then obtain samples for further detailed inspection. Only when these samples satisfy our stringent inspection standards, we formalize a cooperative relationship with the supplier.

In addition to vetting new suppliers, we conduct quality system and quality process audits on existing suppliers, and inspect on their hazardous substance process management system. We conduct such on-site inspections on our SiC substrate suppliers on an annual basis, and on our other suppliers once every three years. We require suppliers to promptly address any issues discovered during such audits and inspections, and those who fail to meet our standards to implement rectification measures. If a supplier does not take rectification measures in a timely manner, we will remove it from our qualified supplier list.

We mainly deliver purchase orders for individual purchases of certain components and parts in the ordinary and usual course of our business in support of our production. We also enter into long-term framework supply agreements with our suppliers for the purchases of substrates and gases, the salient terms of which are set out below:

- ***Duration.*** The duration of the framework supply agreement typically spans a period of either one or three years.

- ***Order.*** We place separate purchase orders for the products under the framework agreement. The purchase orders expressly state the number and quality of the products, the delivery timeline, acceptance criteria and other detailed terms.

- ***Delivery.*** The suppliers are typically responsible for the delivery of products to our designated location. We bear the risks after we complete inspection and confirm receipt of the products.

- ***Payment.*** We are generally granted by our suppliers a credit term of 30 days for the purchase of substrates and 15 days for the purchase of gases, respectively, following the receipt of the invoice.

- ***Inspection and warranty period.*** We normally conduct inspection on the products within certain days upon delivery. If we find the products do not meet the specified standards upon our inspection or during our use, we have the right to raise a written objection. For the substrates, the warrant period is normally three years.

- ***Termination.*** We are entitled to terminate the agreement, in part or as a whole, or the purchase order for the purchase of substrates when (i) the supplier delays the delivery for more than 30 days; (ii) the products have serious quality issues but the supplier cannot replace the products or fix the issues within 30 days; or (iii) the same serious quality issue occurs more than twice.

- ***Dispute resolution.*** In the event of any dispute related to the enforcement of any agreement during the agreement term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

Major Suppliers

In 2022, 2023 and 2024 and for the five months ended May 31, 2025, we had eight, 14, 17 and 17 suppliers who provide raw materials that are directly used to manufacture our products, respectively.

Purchases from our five largest suppliers in each year/period comprising the Track Record Period amounted to RMB236.7 million, RMB937.6 million, RMB409.1 million and RMB58.0 million in 2022, 2023 and 2024 and for the five months ended May 31, 2025, representing 84.5%, 88.7%, 86.9% and 74.7% of our total purchases for the respective years/period. Purchases attributable to our largest supplier in 2022, 2023, 2024 and for the five months ended May 31, 2025 amounted to RMB149.7 million, RMB363.7 million, RMB239.9 million and RMB27.5 million, respectively, accounting for 53.4%, 34.4%, 51.0% and 35.4% of our total purchases.

During the Track Record Period, we primarily procured raw materials from our top five suppliers and may be susceptible to concentration risk. See "Risk Factors — Risks Relating to our Business and Industry — We are exposed to concentration and counterparty risks from our major suppliers and customers." The concentration of suppliers during the Track Record Period was largely attributable to a concentrated scope of qualified companies in an earlier stage of development of China's SiC semiconductor industry, brought by entry barriers such as high capital investment, technical difficulties and regulatory restrictions. We do not believe there is material supplier reliance risk, considering (i) we have maintained multiple suppliers to avoid overreliance on any of the existing suppliers and each of our materials were procured from multiple suppliers; and (ii) we have invested efforts into diversifying our supplier base, and commenced epitaxial wafer production verification and tape-out with new suppliers in recent years. Furthermore, it is reasonable and in line with industry norm to procure raw materials from a limited pool of suppliers in the semiconductor industry, where only a limited number of upstream vendors can consistently meet the stringent quality, purity, and technical specifications required for high-performance SiC epitaxial wafers and ensure large-volume, stable supply, according to Frost & Sullivan, because the technical barrier of SiC substrate manufacturing is relatively high and, during the Track Record Period, only a limited numbers of SiC substrate suppliers had proven records of the stable supply in large volume. As technology in the PRC continues to advance, it is expected that more qualified domestic suppliers of SiC substrates will emerge, enhancing our ability to implement localized sourcing and reducing reliance on overseas suppliers. Besides, Frost & Sullivan has advised us that albeit only a few, there are around 35 suppliers who are able to provide products and services of similar quality and similar price in the market from which we can easily procure raw materials, which helps reduce the potential supplier concentration risks. In the event of a termination of relationship with our major suppliers, we believe we are able to find alternative suppliers in a timely and efficient manner, and such replacement will not have a material adverse effect on our business operations.

The following table sets forth the details of our five largest suppliers in each year/period during the Track Record Period based on purchases from them:

For the year ended December 31, 2022

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	4 years	30 days	Bank transfer	149,666	53.4
2	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	4 years	30 days	Bank transfer	34,866	12.4
3	Supplier F	A public company incorporated in Zhejiang in 2008, listed on the Shanghai Stock Exchange, mainly focusing on the R&D, production, and sales of ultrafine alloy wires, metal matrix composites, and other new materials	SiC substrates	1 year	30 days	Bank transfer	20,520	7.3
4	Supplier E**	A private company incorporated in Shanghai in 2018, specializing in the R&D, manufacture and sales of SiC devices	Wafers and SiC devices	2 years	30 days	Bank transfer	16,907	6.0
5	Supplier D	A private company incorporated in Guangdong in 2017, mainly focusing on the R&D, production, and sales of SiC-coated graphite components for semiconductor equipment, and providing related SiC coating services	Spare parts	2 years	30 days	Bank transfer	14,736	5.3
	Total						**236,695**	**84.5**

** Supplier E was also our customer during the Track Record Period. See "— Overlapping of Customers and Suppliers."

For the year ended December 31, 2023

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	5 years	30 days	Bank transfer	363,710	34.4
2	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	5 years	30 days	Bank transfer	316,147	29.9
3	Supplier F*	A public company incorporated in Zhejiang in 2008, listed on the Shanghai Stock Exchange, mainly focusing on the R&D, production, and sales of ultrafine alloy wires, metal matrix composites, and other new materials	SiC substrates	2 years	30 days	Bank transfer	156,407	14.8
4	Supplier G	A private company incorporated in Shanxi in 2018, specializing in the R&D and production of SiC materials	SiC substrates	2 years	30 days	Bank transfer	59,709	5.7
5	Supplier D	A private company incorporated in Guangdong in 2017, mainly focusing on the R&D, production, and sales of SiC-coated graphite components for semiconductor equipment, and providing related SiC coating services	Spare parts	3 years	30 days	Bank transfer	41,666	3.9
	Total						**937,638**	**88.7**

* Supplier F was also our customer during the Track Record Period. See "— Overlapping of Customers and Suppliers."

For the year ended December 31, 2024

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	6 years	30 days	Bank transfer	239,904	51.0
2	Supplier H	A public company incorporated in Shandong in 2010, listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, mainly engaged in the R&D, production and sales of SiC substrates	SiC substrates	4 years	30 days	Bank transfer and bank acceptance bill	101,695	21.6
3	Supplier F	A public company incorporated in Zhejiang in 2008, listed on the Shanghai Stock Exchange, mainly focusing on the R&D, production, and sales of ultrafine alloy wires, metal matrix composites, and other new materials	SiC substrates	3 years	30/60 days	Bank transfer and bank acceptance bill	39,013	8.3
4	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	6 years	30 days	Bank transfer and bank acceptance bill	18,239	3.9
5	Supplier I	A private gas supplier incorporated in Shanghai in 2004	Gas	6 years	30 days	Bank transfer	10,224	2.2
	Total						**409,075**	**86.9**

For the five months ended May 31, 2025

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier H	A public company incorporated in Shandong in 2010, listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, mainly engaged in the R&D, production and sales of SiC substrates	Silicon Carbide Substrates	4 years	60 days	Bank transfer and bank acceptance bill	27,462	35.4
2	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	Silicon Carbide Substrates	6 years	60 days	Bank transfer and bank acceptance bill	16,148	20.8
3	Supplier I	A private gas supplier incorporated in Shanghai in 2004	Gas	6 years	30 days	Bank transfer	6,123	7.9
4	Supplier J	A private company incorporated in 2017 in Zhuzhou, mainly engaged in technology promotion and application services	Spare parts	5 years	60 days	Bank transfer	4,887	6.3
5	Supplier K	A private company incorporated in 2023 in Foshan, mainly engaged in manufacturing of chemical raw materials and chemical products	Gas	3 years	30 days	Bank transfer	3,390	4.4
	Total						**58,010**	**74.7**

In 2024 and for the five months ended May 31, 2025, several of our gas suppliers became our top five customers, namely Supplier I and Supplier K. This was because gases, such as nitrogen, hydrogen and argon, are also key materials in the epitaxial growth process in addition to SiC substrates. We must ensure each of our epitaxial furnaces is fully supplied with the appropriate gas when it is running, and therefore purchased substantial amount of gases as the production capacity expanded.

In 2023, one of our top five suppliers compensated us with RMB21.6 million due to its failure to deliver our orders timely. See "Financial Information — Description of Major Components of Our Results of Operations — Other Net Income." Save for this, during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in delivery of our orders from our suppliers.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year/period during the Track Record Period were Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year/period comprising the Track Record Period as of the Latest Practicable Date.

During the Track Record Period, we did not have any material disputes with our suppliers.

Relationship with Supplier A

During the Track Record Period, we primarily purchased raw materials, namely SiC substrates, from a limited number of suppliers, which is typical and reasonable in the semiconductor industry, where only a limited number of upstream vendors can consistently meet the stringent quality, purity, and technical specifications required for high-performance SiC epitaxial wafers. Given the relatively nascent stage of the domestic supply chain of substrates, our reliance on leading suppliers reflects prudent sourcing aligned with industry best practices. Among them, our purchases were primarily attributable to Supplier A, amounting to RMB149.7 million, RMB363.7 million and RMB239.9 million in 2022, 2023 and 2024, respectively, accounting for 53.4%, 34.4% and 51.0% of our total purchases in the respective years. Supplier A remained our largest supplier in 2022, 2023 and 2024. We did not make any purchase from Supplier A for the five months ended May 31, 2025.

Supplier A, incorporated in the U.S. in 1971 and listed on the New York Stock Exchange, is a world-leading manufacturer engaging in engineering materials and optoelectronic components. Supplier A is known for its expertise in compound semiconductors, laser technology, optical systems and advanced materials, which we believe have laid a solid foundation for the stability of Supplier A's products, and would further benefit our R&D and production of SiC epitaxial wafers, so we approached Supplier A to establish business relationship. The trust between Supplier A and us have deepened after years of cooperation.

Our business and financial performance in 2023 has proved that our SiC epitaxial wafers are welcomed by downstream customers. With an expectation that the downstream demand would continue to be rising in 2024, we planned and reserved sufficient raw materials ahead in the fourth quarter of 2023 to meet the anticipated downstream demand. Considering the retrieval demand from downward customers, the high quality of raw materials supplied by Supplier A and our long-term amicable relationship with it, we purchased a substantial amount of SiC substrates from Supplier A in the Track Record Period. Consequently, we stocked up on excess inventory, especially with Supplier A taking up a large percentage. Our purchase of a substantial amount of SiC substrates from Supplier A, especially those in 2023, has adversely affected our cash flow utilization and inventory level in 2024. As of December 31, 2024, raw materials attributable to Supplier A amounted to approximately 12,000 pieces of substrates, while as of May 31, 2025, such raw materials decreased to approximately 1,500 pieces worth RMB7.5 million, accounting for 7.3% of our total volume of substrates and 13.8% of our total amount of substrates, respectively, as of May 31, 2025.

While Supplier A as the exporter has affirmed to us that it has complied with all applicable export controls to supply such procured items to us, international trade frictions have been escalating continuously in recent years. Certain foreign jurisdictions have imposed or may impose trade-related measures in various forms (such as heavy tariffs) against certain countries, individuals and legal entities, which, from time to time, restrict or even prohibit export and import activities to a certain extent. For instance, the U.S.-China trade tensions in recent years have led to the introduction of high tariffs on a host of goods trading between the two countries, including high-technology goods, semiconductors, and electronics. The trade tensions between the two countries have been constantly rising and we are subject to inherent risks due to U.S.-China trade tensions. For further detail, 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 international trade policies and international export controls and economic sanctions" and "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration and counterparty risks from our major suppliers and customers."

As of the Latest Practicable Date, there was no regulation prohibiting our procurement of SiC substrates from Supplier A. However, in light of the aforementioned uncertainties of US-China trade tensions, we were, accordingly, affected by the relatively higher purchase cost of Supplier A's raw materials due to its U.S. background, among others. Starting from 2025, we have been strategically shifting the procurement of SiC substrates to competent suppliers in China to lower our purchase costs. We are able to procure SiC substrates with the quality acceptable to our customers from suppliers in China, and with the continuous technological development in China, we expect an increase in suppliers in China which are able to provide good quality SiC substrates. We have secured domestically produced alternative in China, and we do not rely on such U.S.-originated raw material. For the five months ended May 31, 2025, we did not make any purchase from Supplier A. As such, we believe the uncertainties of US-China trade tensions are manageable and will not cause material impact on our business and financial prospects.

To mitigate the potential impact on our business arising from the U.S.-China trade tensions, we have been diversifying our supplier base to increase procurement from PRC-based suppliers (i.e. excluding the purchases from PRC entities in the same group as Supplier A) who are able to deliver raw materials of similar quality as those offered by Supplier A, to reduce the dependence on foreign sources and risk of supplier concentration. Among these domestic purchases, purchase amount from PRC-based suppliers accounted for 44.6%, 65.2%, 48.4% and 99.8%, respectively, of our total purchase amount of raw materials in 2022, 2023 and 2024 and for the five months ended May 31, 2025.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, we had customers who were also our suppliers. Our purchases and revenue generated from these overlapping customers/suppliers, typical scenarios, the commercial reasons behind, and the corresponding accounting treatment, are presented in the table below:

	Customers	Suppliers
Our major sales	• Sales of SiC epitaxial wafers • Provision of foundry service • Provision of SiC related inspection service	N/A
Our major procurement	N/A	• Purchase of (i) wafers, which are epitaxial wafers with other processes such as etching and doping while they are different from our products, and (ii) semiconductor devices, by Southern Semiconductor • Purchase of SiC substrates
Typical scenarios	• Type X overlapping customer/supplier engages in design and manufacturing of SiC semiconductor devices, SiC chip products, and wafers that can be further embedded in semiconductor devices. Some Type X overlapping customers/suppliers are capable of designing and manufacturing SiC chip products and wafers, which can be sold as finished products and are Type X overlapping customer/supplier's major products for sale.	

Customers	**Suppliers**

Type X overlapping customer/supplier purchases our SiC epitaxial wafers as the raw materials for production of its SiC semiconductor devices, SiC chip products and wafers. Type X overlapping customer/supplier conducts further procedures, such as etching and doping, or design, cutting, packaging and testing, turning our SiC epitaxial wafers into wafers or semiconductor devices. Meanwhile, our subsidiary, Southern Semiconductor, purchases its SiC semiconductor devices, SiC chip products and wafers for subsequent sales leveraging its long-term business development in semiconductor industry resulting in having established network with the industry participants and making sales of semiconductor devices and wafers, to downstream customers primarily in electronic semiconductor, new energy, electronic equipment manufacturing, IC design and consumer and industrial power supply sectors.

During the Track Record Period, each of Customer F, Customer G and Supplier E was a Type X overlapping customer/supplier.

- Type Y overlapping customer/supplier engages in manufacturing of semiconductor materials, which include SiC substrates and chips. We understand that Type Y overlapping customer/supplier usually does not possess epitaxy growth technology, or does not independently conduct epitaxy growth process. Type Y overlapping customer/supplier purchases our SiC epitaxial wafers as raw materials to produce its chip products, or foundry service to manufacture SiC epitaxial wafers using its own substrates. We purchase SiC substrates as raw materials to produce our SiC epitaxial wafers.

Customers	Suppliers

During the Track Record Period, the SiC substrates provided by Type Y overlapping customer/supplier were primarily used for foundry services, where we purchased the SiC substrates first and subsequently sold the SiC epitaxial wafers manufactured from the same batch of SiC substrates back to Type Y overlapping customer/supplier after performing foundry services. The remaining substrates, after meeting Type Y overlapping customer/supplier's demand for epitaxial wafers, were used for our self-manufactured epitaxial wafers for subsequent sales to third-party customers. As Type Y overlapping customer/supplier specializes in manufacturing of semiconductor materials, their SiC substrates generally can meet our standards for raw material procurement. Considering the good quality and reasonable prices of these SiC substrates and taking into account our inventory level, we used the remaining substrates for our self-manufactured epitaxial wafers.

During the Track Record Period, Customer L was a Type Y overlapping customer/ supplier.

According to Frost & Sullivan, transactions with Type Y overlapping customer/supplier is in line with industry norm as such type of overlapping customer/supplier usually operates on an IDM business model, and outsource the process of SiC epitaxy growth.

- Type W overlapping customer/supplier engages in manufacturing of SiC substrates. We purchase SiC substrates from Type W overlapping customer/supplier as raw materials for manufacturing of our products, and Type W overlapping customer/supplier purchases our SiC related inspection service.

  During the Track Record Period, Supplier F was a Type W overlapping customer/supplier.

Commercial reasons

Customer side:
Our customers benefit from our capacity to produce SiC epitaxial wafers, device and related inspection services, the development of which usually requires much time, resources and related technology know-how.

	Customers	**Suppliers**
	Supplier side: Our suppliers can leverage Southern Semiconductor's device inspection capability as well as its sales network for sales of their wafers and semiconductor devices in an efficient manner. *Our side:* We focus on R&D, mass production and sales of SiC epitaxial wafers, and do not engage in direct production of substrates or semiconductor devices. Southern Semiconductor specializes in device inspection and sales of wafers and semiconductor devices. As an intermediate market player on the entire industry value chain, we can establish a good relationship with both upstream and downstream market players, leveraging their expertise in the vertical sectors and solidifying our position.	
Accounting treatment for recognizing revenue	Net amount method: We use net amount method for transactions where we sell to one party corresponding SiC epitaxial wafers that have been manufactured from the SiC substrates provided by the same party. Due to the business nature of such transactions, we treat our purchase of SiC substrates and sales of SiC epitaxial wafers as one single transaction, and therefore are independent transactions. Gross amount method: We use gross amount method for all the other types of transactions.	

The occurrence of overlapping customer and suppliers (particularly within vertically integrated or closely linked value chains in the semiconductor industry) is in line with industry norm, as confirmed by Frost & Sullivan. Companies often serve both upstream and downstream roles within a specialized ecosystem, which reflects practical supply chain synergies.

In 2022, 2023 and 2024 and for the five months ended May 31, 2025, we had 13, 9, 15 and 7 overlapping customers and suppliers, respectively. The total revenue we generated from these overlapping customers and suppliers amounted to RMB211.1 million, RMB196.4 million, RMB258.9 million and RMB71.6 million in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, representing 48.3%, 16.8%, 49.8% and 27.9%, respectively, of our total revenue for the same years/period. The following table sets out the revenue breakdown by product type from the overlapping customers and suppliers during each year/period comprising the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2022	**2023**	**2024**	**2025**
		(RMB'000)		*(RMB'000)*
Sales of self-manufactured SiC epitaxial wafers	205,835	184,635	254,123	70,438
Other sales and services	5,225	11,804	4,738	1,184

The purchases from these overlapping customers and suppliers amounted to RMB32.1 million, RMB163.1 million, RMB44.8 million and RMB3.4 million in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, representing 11.5%, 15.4%, 9.4% and 4.4%, respectively, of our total purchase for the same years/period. The following table sets out the purchase amount breakdown by product type from the overlapping customers and suppliers during each year/period comprising the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2022	**2023**	**2024**	**2025**
		(RMB'000)		*(RMB'000)*
Semiconductor devices	17,305	47	156	30
Wafers	7,287	123	—	—
SiC substrates	4,321	161,226	40,809	3,353
Others	3,228	1,726	3,794	18

The significant increase in our purchases from overlapping customers and suppliers in 2023, which mainly consisted of SiC substrates which are key raw materials for our SiC epitaxial wafers, was primarily attributable to our growing business expansion needs in 2023, which did not happen or recur at the same scale in 2022 or 2024 or the five months ended May 31, 2025. This reflects normal fluctuations in collaboration intensity and project timelines within the semiconductor industry.

During the Track Record Period, three top five customers, namely Customer F, Customer G and Customer L, were also our suppliers, and two top five suppliers, namely Supplier E and Supplier F, were also our customers.

The following table demonstrates the gross profit attributable to Customer F, Customer G, Customer L, Supplier E and Supplier F, our overlapping customers/suppliers who were also among the top five customers/suppliers during the Track Record Period, for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2022	2023	2024	2025
		(RMB'000)		*(RMB'000)*
Customer F	19,684	18,133	(22,191)	(348)
Customer G	14,270	23,360	(3,429)	3,227
Customer L	6,226	20,875	13,426	25,194
Supplier E	2,101	10,980	(816)	8,401
Supplier F	—	867	39	—

Notes:

(1) In 2024, we recorded gross loss attributable to Customer F, Customer G and Supplier E, primarily due to the decrease in the selling price due to the then market condition.

(2) For the five months ended May 31, 2025, we recorded gross loss attributable to Customer F, as a result of a relatively favorable selling price to Customer F in view of our long-term, amicable relationship with Customer F.

Given that all of these customers and suppliers are engaged in the SiC device manufacturing and semiconductor business, according to Frost & Sullivan, it is in line with industry norm that upstream and downstream companies in the semiconductor industry provide raw materials, intermediate goods and/or testing or other customary services to each other. In particular, our transactions with overlapping suppliers and customers are commercially independent and not inter-conditional. These counterparties purchase SiC epitaxial wafers from us as input materials for their own device manufacturing. Separately, some of them supply finished semiconductor devices to us, which are either used in our testing services or resold to third-party customers through our subsidiary, Southern Semiconductor. These two types of transactions are unrelated, conducted at arm's length, and aligned with standard industry practice, as confirmed by Frost & Sullivan.

For example, Supplier E was one of our top five suppliers in 2022 and our customer during the Track Record Period. Supplier E, specializing in the R&D, manufacture and sales of SiC devices, purchased epitaxial wafers from us as epitaxial wafers are one of the key raw materials for the manufacture of semiconductors devices. It also provided to us semiconductor devices for our device inspection service or subsequent sales to third-party customers through our subsidiary, Southern Semiconductor. The prices and other material terms of our sales/purchases transactions with Supplier E were typically similar with other non-overlapping customers/suppliers during the Track Record Period.

Our Directors have confirmed that none of our sales to and purchases from our overlapping customers and suppliers during the Track Record Period was inter-conditional, inter-related or otherwise considered as one transaction. We negotiate the transactions with our overlapping customers and suppliers on an arm's-length basis with reasonable and fair pricing terms. To the best of our knowledge, the overlapping customers and suppliers during the Track Record Period were Independent Third Parties.

QUALITY CONTROL

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with the ISO9001 and IATF16949 standards in China, covering every aspect of our operations including product R&D, procurement, production, among other things.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. We adhere to the legal and regulatory requirements of product quality, including those of ISO9001 and IATF16949, and ensure environment and occupational health and safety. On such basis, our quality management process is centered around customers' requirements. From design and development, manufacturing to delivery of products, we make sure customers' feedback is properly handled and non-conforming products are well controlled, to realize customer satisfaction. In particular, we select our suppliers based on a strict set of criteria to make sure our requirements are being consistently met. See "— Procurement and Supply — Our Suppliers — Supplier Management." In addition, we conduct inspection on delivered products in accordance with our quality management standards. We warrant that our products meet the sales specifications in effect at the time of shipment to customers. See "Business — Sales and Marketing — Our Sales Channels." For our efforts in providing quality products and services to customers, as well as our complaint management process, see "— Environmental, Social and Governance Matters — Product Quality and Safety" and "— Environmental, Social and Governance Matters — Customer Satisfaction." We hold management review meetings periodically to ensure our quality management measures are effectively carried out. Responsible personnel of all departments will ensure the learning and implementation by newly joined employees.

INVENTORY MANAGEMENT

Standardized Inventory Management

Our inventories consist of raw materials, semi-finished products and work in progress and finished goods. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Inventories." We prepare our inventories based on the planned production capacity and anticipated downstream demand of products by our sales and marketing team. The lead time of purchase of raw materials and production varies from different products, which is generally around one month. We standardize our inventory management through our logistics system across our warehouse. We have also formulated internal *Material Coding Management Guidelines* for our inventories to ensure the consistent management of numbering, preventing duplication of material numbers. Each of the inventories is given an unique identification code at the time of storage. This way, we are able to keep track of all inventories at all stages. In addition, we have established internal submission and approval procedures to optimize the logistics of our inventory management and standard of purchase orders of our SiC epitaxial wafers.

Periodic Inventory Inspection

We conduct monthly spot checks on our raw materials to ensure smooth operation within the warehouse. We perform on-site inventory stock-take and inspection semi-annually, and prepare inventory inspection reports, according to which we deal with obsolete and slow-moving inventories in a timely manner. Our finance department takes the lead in such inventory stock-take and inspection, and report to senior management the inspection results and shortfalls.

Optimizing Inventory Level

In order to maintain our competitiveness, adapt our products to evolving demand trends and to avoid our inventories becoming obsolete, we have taken measures to optimize our inventory level, which primarily include monitoring and timely adjusting the inventory level and minimizing inventory backlogs in the process of inventory management.

- *Monitoring and timely adjusting the inventory level*. We primarily use ERP system and HUB warehousing system to monitor our inventory level. In addition, we have strengthened our relationship with suppliers to align procurement of raw materials with our production schedules ahead of time to accurately prepare a sufficient but not obsolete level of raw materials to the extent possible. We also periodically monitor the market prices of raw materials to avoid overstocking. In view of any decrease in market prices, we may flexibly adjust selling prices of our products or provide discounts to improve the turnover rate of inventories only in the following scenarios: (i) we may offer single-digit discounts to customers who have a long-term relationship with us when they place relatively significant orders with us; (ii) we may offer small discounts if a customer is willing to make prepayment while the purchase volume and profit margin of the relevant orders allows profitability after such discounts; or (iii) we may consider offering discounts on orders purchasing products in stock for relatively longer period of time. See "— Our Product and Service Offerings — Pricing of Our Products and Services — Pricing of Our SiC Epitaxial Wafers."

- *Minimizing inventory backlogs*. When an inventory backlog occurs, we analyze the reasons behind it, determine if the batch of products meet the needs of alternative customers based on the products' specifications, and arrange second sale of the same batch of products if it so meets other customers' needs. We have also established long-term cooperative relationships with qualified suppliers to ensure a stable supply of raw materials, thereby avoiding inventory backlogs caused by material shortages.

According to Frost & Sullivan, the life cycle of 4-inch, 6-inch and 8-inch epitaxial wafers is generally 10 to 15 years. It requires strategic inventory management to effectively mitigate the risk of obsolescence for our inventories. In particular, we have adopted the following measures to increase market demands for our 4-inch epitaxial wafers: (i) We partner with universities and research institutes on projects that require 4-inch epitaxial wafers; (ii) We use 4-inch epitaxial wafers for testing our equipment, which ensures the equipment is optimized for production; and (iii) We provide certain customers with discounts on 4-inch epitaxial wafers, making them more attractive for bulk purchases or long-term contracts.

We believe that we have maintained a sufficient level of inventories as a result of our inventory management. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

We regard our patents, trademarks, know-how and other intellectual property rights as critical to our competitiveness and success. As of the Latest Practicable Date, we had 92 patents, one copyright, and nine trademarks registered in the PRC. We are also in the process of applying for 50 patents in the PRC, and we do not anticipate any material impediment to the registration of such patents as all of them are developed by us. See "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix VII for more information.

The following table sets forth the details of our key invention patents which are crucial to our business operations. These key invention patents are primarily related to epitaxial growth technologies, and will expire after 20 years since the application date.

Patent Name	Application Date	Authorization Date
An epitaxial method for reducing stacking fault defects in epitaxial wafers (一種降低外延片堆垛層錯缺陷的外延方法及其應用)	May 22, 2020	March 29, 2022
A preparation method of gradient PN junction material (一種漸變式PN結材料的製備方法)	June 4, 2020	March 29, 2022
A method for suppressing Crown defects on epitaxial edges (一種抑制外延邊緣Crown缺陷的方法)	July 8, 2021	October 21, 2022
A rapid method for removing deposits on the backside of SiC epitaxial wafers during the epitaxial process (一種快速去除碳化硅外延過程中晶片背面沉積物的方法)	August 25, 2021	June 28, 2022
A preparation method of composite coating on sample holder for SiC epitaxial wafer growth (一種碳化硅外延晶片生長用樣品托上的複合塗層製備方法)	September 22, 2021	December 20, 2022
A method for reducing the curvature of semiconductor epitaxial wafers (一種降低半導體外延片翹曲度的方法)	June 24, 2022	January 2, 2024
A method for growing low warpage semiconductor substrate chips (一種生長低翹曲半導體襯底晶片的方法)	June 24, 2022	January 2, 2024

We have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish management over our intellectual property rights, (ii) timely registration, filing and application for ownership of our intellectual properties, (iii) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (iv) engaging professional intellectual property service providers.

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for material infringement of any intellectual property rights, whether as a claimant or as a defendant. However, our protective measures may not provide sufficient protection of our intellectual property rights. Our intellectual properties may be misused by business partners or other third parties. Despite any measures taken to protect our intellectual properties, unauthorized parties may attempt to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to adequately protect our intellectual properties. See "Risk Factors — Risks Relating to Our Business and Industry — Our business depends on our ability to protect our intellectual property rights."

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

In the course of our business, we collect and process data primarily related to the transactions with our enterprise customers. Such data include general information of customers, including name of the company, address, and contact information. See "Risk Factors — Risks Relating 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."

We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, stringent requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment.

We provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. In addition, employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

Our PRC Legal Advisors are of the view that we have been in compliance with the relevant PRC laws, rules and regulations relating to cybersecurity and data protection in all material aspects during the Track Record Period and up to the Latest Practicable Date on the basis that (i) we do not collect or process personal data as we do not conduct business directly with individuals, (ii) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data, prevent unauthorized access or use of data and respond to network security incidents, (iii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities for violation of cybersecurity and data protection laws, rules and regulations, (iv) there have been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of our Directors, threatened against or relating to us, and (v) we have not experienced any material leakage of data, any breach of confidential business data or violation of cybersecurity and data protection and privacy laws, rules and regulations which will have a material adverse impact on our business operations.

AWARDS AND RECOGNITION

During the Track Record Period, we received awards and recognitions in respect of our Group, products and technologies, the details of which are set forth below:

Award year	Project/Product Name	Award/Recognition	Awarding Institution/ Authority
2025	—	AEO Certificate (高級認證企業證書)	Huangpu Customs (黃埔海關)
2024	—	Postdoctoral Programme (博士後研究工作站)	Ministry of Human Resources and Social Security and the National Administrative Committee of Post-Doctoral Researchers (人力資源及社會保障部及全國博士後管委會)
2024	Key technologies and industrialization of 6-inch N-type 4H SiC epitaxial materials (6英吋N型4H碳化硅外延材料關鍵技術及產業化)	Second Prize of the Guangdong Province Technology Progress Award in 2023 (2023年度廣東省科技進步獎二等獎)	People's Government of Guangdong Province (廣東省人民政府)
2024	—	Dongguan's Leading Enterprise in High-Quality Development (東莞市高質量發展領軍企業)	Dongguan People's Government
2024	Key Technology Research and Industrialization of 6-inch N-type 4H-SiC Epitaxial Materials (6英吋N型4H-SiC外延材料關鍵技術研究及產業化)	First Prize of the Science and Technology Progress Award in the Guangdong Province Electronic Information Science and Technology Award in 2023 (2023年度廣東省電子信息科學技術獎之科技進步獎一等獎)	Guangdong Institute of Electronics (廣東省電子學會)

Award year	Project/Product Name	Award/Recognition	Awarding Institution/ Authority
2023	—	National Essential "Little Giant" Enterprise (國家重點"小巨人")	Ministry of Industry and Information Technology (工業和信息化部)
2023	—	Guangdong Province Enterprise Technology Center (廣東省企業技術中心)	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
2023	6-inch 6,500V SiC Epitaxial Wafers, 6-inch 2,000V SiC Epitaxial Wafers, and 6-inch 1,700V SiC Epitaxial Wafers (6英吋6,500V級SiC外延芯片、6英吋2,000V級SiC外延芯片、6英吋1,700V級SiC外延芯片)	Guangdong Province Excellent High-tech Products in 2022 (2022年度廣東省名優高新技術產品)	Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會)
2022	Key Technology Research and Industrialization of 6-inch N-type 4H-SiC Epitaxial Materials (6英吋N型4H-SiC外延材料關鍵技術研究及產業化)	First Prize of Science and Technology Award of Guangdong High-tech Enterprise Association in 2022 (2022年廣東省高新技術企業協會科學技術一等獎)	Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會)
2022	6-inch 650V SiC Epitaxial Wafers (6英吋650V級SiC外延芯片)	Guangdong Province Excellent High-tech Products in 2021 (2021年廣東省名優高新技術產品)	Guangdong Province Hi-tech Enterprise Association (廣東省高新技術企業協會)

Award year	Project/Product Name	Award/Recognition	Awarding Institution/ Authority
2021	6-inch 3,300V SiC Epitaxial Wafers, and 6-inch 1,200V SiC Epitaxial Wafers (6英吋3,300V級SiC外延芯片、6英吋1,200V級SiC外延芯片)	Guangdong Province Excellent High-tech Products in 2020 (2020年廣東省名優高新技術產品)	Guangdong Province Hi-tech Enterprise Association (廣東省高新技術企業協會)

COMPETITION

The competition of China's SiC epitaxial wafer market is highly concentrated, with the top five players accounting for 87.6% of the total market in terms of revenue generated in China in 2024. To stand out from the top market players, we face intense competition in respect of the quality of our products, our ability to meet our customers' demands, supply chain and sales channels, pricing, and our experience and reputation. We believe that there are high barriers for our competitors to enter into the SiC epitaxial wafer market, which include, among other things, sufficient industry know-how, adequate resources, advancement in technology, solid sales and supply channels. For more information on the competitive landscape of our industry, see "Industry Overview." Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths, which are highlighted in the paragraph headed "— Our Competitive Strengths" in this section.

SEASONALITY

We experience seasonal fluctuations in our revenue and results of operations. We have historically experienced, and expect to continue to experience, accelerated revenue generation, especially our sales of self-manufactured SiC epitaxial wafers which accounted for a majority of our revenue, in the second half of a particular year as compared to the first half of that year, except in 2024 in view of the relatively intensive global trade tensions. The accelerated revenue generation in the second half of a year is mainly attributable to the more intensive close-to-year-end promotional activities for sales of products held in the industries and sectors to which our SiC epitaxial wafers are ultimately applied, which leads to a larger purchase volume in the second half of a year. The seasonal trends we have experienced in the past may not apply to, or be indicative of, our future operating results. See "Risk Factors — Risks Relating to Our Business and Industry — Our results of operations are subject to seasonal fluctuations."

EMPLOYEES

As of May 31, 2025, we had a total of 854 full-time employees, substantially all of whom were based in China. The following table sets forth a breakdown of our employees categorized by function as of May 31, 2025.

Function	Number	Percentage
		(%)
Production and quality control	538	63.0
R&D	94	11.0
Business operations	120	14.1
Sales and marketing	13	1.5
Financial, administrative and supporting	84	9.8
Senior management	5	0.6
	854	**100.0**

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. We typically enter into confidentiality agreements with all of our employees and non-competition agreements with our key employees, including R&D and production and manufacturing members and the head of each department. Our employees are reviewed monthly on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core business and operating team.

We have adopted a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online recruitment channels and third-party employment websites. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential.

We have established a labor union for our employees to continuously provide services in protecting their rights and benefits. We believe that we generally maintain good working relationship with our employees. For details of our management and protective measures on our employees, see "— Environmental, Social and Governance Matters — Employment Management" and "— Environmental, Social and Governance Matters — Occupational Health and Safety." During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes with our employees.

INSURANCE

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. In addition, we plan to purchase property insurance and employer's liability insurance to cover generic risks that may arise from our ordinary course of business. During the Track Record Period, we had not been the subject of any product liability claims. 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 Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses." As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

LAND AND PROPERTIES

We are headquartered in Dongguan, China. As of the Latest Practicable Date, we possessed land use rights on two parcels of land with an aggregate GFA of approximately 76,417 sq.m. in the PRC, and owned one construction-in-progress with an expected GFA of approximately 223,000 sq.m in the PRC. As of the same date, we did not own any property in the PRC, and leased three properties in the PRC with an aggregate GFA of approximately 26,770 sq.m. These properties were used primarily as premises of office spaces, production and R&D bases. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from four to ten years. According to our PRC Legal Advisors, we have obtained all material licenses, permits and certificates with respect to land and properties as required by relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

As of May 31, 2025, our Ecological Park production base located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road, Songshan Lake, High-Tech Zone, Dongguan City, Guangdong Province, the PRC accounted for 15% or more of our total assets. We have also voluntarily valued one additional premise that accounted for less than 15% of our total assets. Pursuant to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, we have prepared a valuation report with respect to our property interests. Please refer to Appendix III to this prospectus for the full-text valuation report prepared by our Property Valuer on these properties. Save as disclosed above, we did not have any single property interest that forms part of its non-property activities that had a carrying amount of 15% or more of our total assets.

LICENSES, PERMITS AND CERTIFICATES

During the Track Record Period, our non-wholly owned subsidiary, Southern Semiconductor, had not completed the filing of occupational disease hard projects as required by the relevant PRC laws and regulations. Southern Semiconductor then completed such filing in November 2024. As of the Latest Practicable Date, Southern Semiconductor had not received any rectification requirements or administrative penalties from competent authorities. As advised by our PRC Legal Advisors, the risk of competent authorities imposing administrative penalties on Southern Semiconductor is low, considering the above factors. See "— Legal Proceedings and Compliance — Prevention and Control of Occupational Diseases" for more details.

Save as the above, during the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material licenses and permits required for our business operations in the PRC, and such licenses and permits had remained in full effect. Our PRC Legal Advisors have advised us that there was no material legal impediment to renewing our material licenses and permits as of the Latest Practicable Date.

The following table sets forth a list of material licenses, permits and approvals obtained for our operations as of the Latest Practicable Date:

Name of license/permit/approval	Holder	Granting authority	Granting date	Expiry date
License for Discharging Urban Sewage Into Drainage Pipe Network (城鎮污水排入排水管網許可證)	The Company	Dongguan Ecological Environment Bureau	March 31, 2021	March 30, 2026
Registration Certificate for Discharging Stationary Pollution Sources (固定污染源排污登記回執)	The Company	The Ministry of Ecology and Environment of PRC	July 5, 2024	July 4, 2029
Registration Certificate of Customs Declaration (報關單位備案證明)	The Company	Dongguan Customs	November 9, 2009	—
Registration Certificate of Customs Declaration (報關單位備案證明)	Southern Semiconductor	Dongguan Customs	March 4, 2019	—
Registration of Foreign Trade Operator (對外貿易經營者備案登記表)	The Company	Foreign Trade Department of the State Council of PRC	December 15, 2022	—
Registration of Foreign Trade Operator (對外貿易經營者備案登記表)	Southern Semiconductor	Foreign Trade Department of the State Council of PRC	November 19, 2021	—

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We work with all stakeholders to create a healthy and stable ecosystem, actively fulfill our corporate social responsibility, and are committed to giving back to society and promoting sustainable development while providing quality products and services. Adhering to the concept of environmental safety and compliance with environmental safety regulations, and with the goal of ensuring safe production, implementing energy saving and consumption reduction, preventing pollution and driving continuous improvement, we have adopted environmental, social and governance ("**ESG**") policies, analyzed and disclosed important ESG issues in accordance with the provisions contained in the Listing Rules. Currently, ESG-related government policies have no significant impact on the our business model. However, as the relevant regulations are subject to varying interpretations, their enforcement in practice may evolve over time as new guidance becomes available, which may result in continuing uncertainty for compliance and additional costs necessitated by ongoing updates to our disclosure and governance practices. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance." We have identified ESG issues highly related to our sustainable development, including pollutant management, energy consumption, response to climate change, product responsibility and occupational health and safety, and have made efforts to practice corporate social responsibility in daily operations. With the rapid development of new energy industries in China and around the world, the market prospects for SiC epitaxial wafers are broad. Combined with the interactive effects of technological innovation, geopolitics and other factors, we actively respond to the domestic substitution policy and seize development opportunities by accelerating independent R&D efforts.

ESG Governance

We have established a sound ESG governance structure, improved management hierarchy and division of labor, and formed an ESG governance system consisting of three levels: governance, management, and execution. We have established a strategy and ESG committee, which is fully responsible for overseeing ESG matters. The committee is composed of three members, namely Chairman Li Xiguang, Director Au Yeung Chung, and Director He Zhengsheng. The specific responsibilities of the committee include the followings:

- Provide guidance on and review ESG strategies and policy development, and report to the board of directors;
- Review our ESG related information disclosure to ensure the completeness and accuracy of such information;
- Research and develop our ESG governance vision, ESG strategic planning, ESG management objectives, and ESG management system and management rules;
- Ensure the establishment and implementation of appropriate and effective ESG risk management and internal monitoring systems;

- Guide and support the ESG working group; and

- Review ESG related reports disclosed to the public (after the Listing) and provide recommendations to the board of directors.

We have also established an ESG working group at the Group level, consisting of the general office, factory affairs department, sales and marketing department, and human resources department. The ESG working group is selected from our middle-level or above personnel based on their past experience and responsibilities, and appointed by the leader of the ESG working group. The responsibilities of the ESG working group include the followings:

- Keep abreast of the latest ESG related laws and regulations, including applicable provisions of Listing Rules, and notify the strategy and ESG committee of any changes;

- Based on our business operations, identify key stakeholders, understand their concerns regarding ESG matters and respond accordingly, and update ESG policies in accordance with the latest regulatory provisions;

- Ensure that the main responsible persons of each ESG related department assess and manage the risks under their functions, and regularly report to the leader of the ESG working group;

- Ensure that ESG concepts, including environmental and health safety management system requirements, are integrated into our business processes;

- Determine our ESG management policy, strategy, materiality, and objectives;

- Develop our ESG policies, evaluate their effectiveness and ensure their implementation, and regularly provide confirmation to the strategy and ESG committee on the effectiveness of policies and management measures; and

- Prepare ESG related reports for external disclosure and report to the strategy and ESG committee.

Pollutant Discharge

We have taken corresponding measures to ensure compliance with relevant laws and regulations in terms of pollutant discharge, including wastewater, exhaust gas, noise, and waste.

Wastewater

Wastewater includes production wastewater, domestic wastewater, and concentrated water of pure water equipment. The concentrated water of pure water equipment can be discharged into the municipal wastewater pipe network as municipal wastewater that has been treated to meet specific standards due to its low water pollutant index.

The production wastewater mainly includes mercury-containing wastewater, grinding and polishing wastewater and other cleaning wastewater. After being treated by the wastewater treatment equipment in our plant, a part of the production wastewater can be discharged into the pipe network for treatment and the rest can be used in the circulating area of the air conditioner in our plant. The mercury-containing wastewater is collected by our self-built wastewater treatment station, and then treated by coagulation, flocculation and sedimentation, sand filtration and carbon filtration, secondary resin, and other processes, after which it can be reused in the cooling tower if it meets the relevant standards. Grinding and polishing wastewater and other cleaning wastewater can partially be reused after reaching the relevant standards through treatment by our self-built wastewater treatment station, coagulation, flocculation and sedimentation, anaerobic, anoxic contact oxidation treatment, and the rest can be discharged into the sewage treatment plant located to the north of Songshan Lake through the municipal wastewater pipe network for treatment.

Domestic wastewater is mainly discharged into the sewage treatment plant located to the north of Songshan Lake through the municipal wastewater pipe network.

We have installed a flowmeter at the wastewater outlet for 24-hour online monitoring and engaged a third-party testing agency to collect sample and test every two months. During the Track Record Period, we did not record any unusual wastewater discharge test data. The following table sets out our relevant discharge data during the Track Record Period.

Metric		Unit	Year ended December 31, 2022	2023	2024	Five months ended May 31, 2025
Wastewater discharge	Total wastewater discharge	ton (t)	23,725	62,317	91,178	50,813
	Production wastewater discharge[1]	ton (t)	20,341	52,594	80,306	46,073
	Domestic wastewater discharge	ton (t)	3,384	9,723	10,872	4,740
	Total wastewater discharge intensity	ton (t)/ production volume of SiC epitaxial wafers (piece)	0.52	0.44	0.36	0.37

We have set a target of a 5% reduction of wastewater discharge based on the figures of 2023 in the next three years.

Note:

(1) The increase in our production wastewater discharge in 2024 was mainly due to the newly established 8-inch SiC epitaxial wafer production lines, which consumed a large amount of water.

Exhaust Gas

The exhaust gas primarily consists of organized-discharged exhaust gas and unorganized-discharged exhaust gas. The organized-discharged exhaust gas includes exhaust gas from cleaning activities, exhaust gas from polishing parts and exhaust gas from sewage treatment station.

The exhaust gas from cleaning activities is collected by the fume hood and then treated by the activated carbon absorption device. Any acid and alkali waste gas involved is treated by the alkali spray tower. The exhaust gas from polishing parts is collected by the negative pressure exhaust hood and treated by the bag filter. The exhaust gas from the sewage treatment station is partially covered and sealed for collection by the odor source, and is treated by biological washing and activated carbon adsorption treatment processes. The treated exhaust gas is discharged through a 15-meter high exhaust funnel on the roof.

We use negative pressure exhaust hood to collect the unorganized-discharged exhaust gas, reaching a 90% collection efficiency. Through the maintenance of the exhaust gas collection pipelines, the sealing of the pipeline interface has been enhanced, thereby reducing the unorganized-discharged exhaust gas emission. In addition, by improving the ventilation of the workshop, we believe the exhaust gas has little impact on the environment. In addition, we regularly check the status and function of the exhaust gas adsorption, collection and treatment equipment to ensure the normal operation and timely maintenance of related equipment, such as activated carbon absorption devices and alkali liquid spray towers. We also upgrade the relevant equipment in a timely manner to ensure that the exhaust gas discharge continues to meet the discharge standards.

We engage a third-party agency to conduct exhaust gas testing every year on a regular basis. During the Track Record Period, we did not record any unusual exhaust gas discharge test data. The following table sets out our exhaust gas discharge data during the Track Record Period:

Metric		Unit	Year ended December 31, 2022	2023	2024	Five months ended May 31, 2025
Exhaust gas discharge	Sulfur dioxide	ton (t)	0.04	0.24	0.45	0.19
	Particulate	ton (t)	0.16	0.40	0.63	0.26
	Carbon monoxide	ton (t)	1.46	1.34	1.22	0.51
	Ammonia emissions	ton (t)	0.19	0.19	0.18	0.08
	Hydrogen chloride	ton (t)	0.3	0.40	0.50	0.21
	Volatile organic compounds (VOCs)	ton (t)	1.3	2.05	2.80	1.17
	Hydrogen fluoride	ton (t)	0.06	0.07	0.13	0.06
	Exhaust gas discharge intensity	ton (t)/ production volume of SiC epitaxial wafers (piece)	0.000077	0.000033	0.000023	0.000018

Our target for exhaust gas discharge is to meet the discharge standards completely. If the discharge concentration or total discharge requirements are adjusted, we will compare the compliance status in a timely manner.

Waste Management

In accordance with *the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC* and other relevant laws and regulations, we have formulated *Regulations on the Management of Waste Disposal* to further strengthen the supervision and management of waste collection, storage, transfer, and disposal.

Our hazardous wastes mainly include waste hydrogen fluoride, mercury-containing waste, waste sludge, waste acid and alkali liquor. We have established a special hazardous waste warehouse in the plant area, where hazardous wastes are classified and stored according to the requirements of hazardous waste storage, and their actual weights are regularly recorded to the hazardous waste management ledger and filed with the national hazardous waste management platform. A qualified hazardous waste disposal company clears and transports the hazardous wastes every two days.

Non-hazardous waste include industrial solid waste, recyclable waste such as waste cartons and valuable wastes (scrap iron, scrap copper and waste wires), and other waste such as domestic and office garbage. Industrial solid waste is classified and stored by our factory affairs department in a special solid waste storage area every day according to the production situation, with clear signs and orderly placement, and strictly recorded to the ledger. We reduce industrial solid waste through improvement of process and production management. The recyclable waste is stored separately in the recycling bin for recycling. When we dispose recyclable waste externally, our procurement department assigns staff to perform on-site supervision, who signs off on each weighing sheet and waste sale sheet. We reduce office garbage through paperless office, reduce kitchen waste by providing small plates based on the expected number of diners, self-service food, and serving food on demand, and reduce household waste by reducing the use of disposable items.

The following table sets out our waste disposal data during the Track Record Period:

Metric		**Unit**	**Year ended December 31, 2022**	**2023**	**2024**	**Five months ended May 31, 2025**
Non-hazardous waste	Industrial waste	ton (t)	2.6	39.7	34.0	19.9
	Recyclable waste	ton (t)	—	—	—	—
	Other waste	ton (t)	28.0	34.7	32.7	13.1
	Total non-hazardous waste	ton (t)	30.6	74.5	66.7	33.0
	Non-hazardous waste intensity(1)	ton (t)/ production volume of SiC epitaxial wafers (piece)	0.001	0.001	0.0003	0.0002
Hazardous waste	Total hazardous waste	ton (t)	108.4	489.2	477.0	186.3
	Hazardous waste density	ton (t)/ production volume of SiC epitaxial wafers (piece)	0.002	0.004	0.006	0.002

In the next three years, our waste disposal targets are to achieve 100% recycling of industrial solid waste through detailed classification of industrial waste for recycling, and to achieve a 5% reduction in other waste disposal compared to 2024 by promoting waste classification and food conservation for employees.

According to the Group's disposal of waste, as of December 31, 2022, 2023 and 2024 and May 31, 2025, the Group's electricity (including outsourcing green power costs), water (including sewage treatment costs) and waste treatment costs totaled RMB9.8 million, RMB35.1 million, RMB36.6 million and RMB14.9 million, respectively accounting for 2.2%, 3.0%, 7.1% and 5.8% of operating income, that is, from the perspective of Track Record Period, there was no significant impact on the Group's financial performance.

Noise

We possess automatic power equipment (including double-sided washing machine and fan), which produce relatively large noise during our production. Given we do not maintain workforce around such equipment, we believe it does not constitute a hazardous factor of occupational diseases. Nevertheless, we have taken a series of measures to continuously reduce noise emissions, including:

- Selecting low-noise production equipment, such as low-noise exhaust fan;
- Taking measures to lower noise, such as using sound absorption and sound insulation facilities in the production workshop, setting up soundproof rooms to block noise, improving the sound absorption rate of the wall, and further reducing both indoor and outdoor noise intensity; and
- Using silencers and basic shock absorption facilities to reduce noise within reasonable decibels.

Resource Consumption

Energy Consumption

We proactively implement the *Energy Conservation Law of the PRC*, the *Decision of the State Council on Strengthening Energy Conservation*, the *Regulations of Guangdong Province on Energy Conservation,* and other relevant laws and regulations, attach great importance to the concept of green manufacturing and establishment of operational systems, actively participate in energy conservation management, and make contributions to achieve energy conservation.

The energy we consume includes electricity and diesel. Diesel is used on the backup generator in our plant.

With the R&D progress of our products, the release of our new products and installation of our new production lines, our demand for energy will inevitably increase. We have developed a sound management process, including central air-conditioning power saving management, and emission machine power saving management. We make efforts to control the energy consumption in our production and operation, thereby reducing the negative impact of our production and manufacturing on the environment. While improving energy management, we actively save energy, adhere to green operation and closely monitor electricity consumption. During the Track Record Period, we have established an energy resource monitoring platform to enhance the supervision of the use of water, electricity and other resources, so that our customers can learn our consumption level of different energy and the operational status of each terminal on a real-time basis. In 2024, we started to purchase green electricity annually, and had purchased 20,389 mWh of green electricity in 2024. In addition, we have installed smart meters to accurately grasp our energy consumption. We also carry out energy-saving transformation of equipment as needed, such as building a high-efficiency machine room, installing automatic cleaning devices for refrigerators, and separating the production water supply system for 6-inch and 8-inch SiC epitaxial wafers.

Multiple measures are taken to improve energy consumption efficiency, including the followings:

(i) Reducing energy consumption of chiller. By optimizing the central air-conditioning system and applying appropriate operation control, we can reduce the energy consumption of the chiller. The chiller is equipped with a waste heat recovery device to recycle the high-temperature waste heat discharged from the condenser. We perform regular equipment maintenance to ensure the proper operation of the chiller, including cleaning the condenser and evaporator, removing the dirt from the cooling tower, replacing the oil filter and lubricating oil, improving the heat exchange efficiency and equipment performance, thus reducing energy waste.

(ii) Electricity-saving management on exhaust fan. By optimizing the exhaust system and applying appropriate operation control, properly laying and designing the ventilation channels and outlets, we reduce unnecessary wind resistance and airflow diversion, improve the ventilation effect and thus further reduce energy waste.

(iii) Power saving management of air compressor. By optimizing the air compressor system and applying appropriate operation control, we can reduce the energy consumption of the air compressor. We have installed a waste heat recovery device to recycle the high temperature waste heat discharged from the compressor, which can be used on heating water or steam or other manufacturing processes to reduce energy waste.

The following table shows our energy consumption data during Track Record Period:

Metric		**Unit**	**Year ended December 31, 2022**	**2023**	**2024**	**Five months ended May 31, 2025**
Energy consumption	Total comprehensive energy consumption	megawatt hours (mWh)	12,551.6	43,532.9	50,989.0	22,442.0
	— Purchased electricity	megawatt hours (mWh)	12,551.6	43,526.7	50,982.8	22,442.0
	Diesel consumption[1]	litre (l)	—	600.0	600.0	—
	Comprehensive energy consumption density[2]	ton (t)/ production volume of SiC epitaxial wafers (piece)	0.28	0.31	0.20	0.17

Notes:

(1) The diesel consumption in 2023 and 2024 was generated from our diesel generator equipment, which was purchased in case of sudden power failure.

(2) The increase in energy consumption, water resource consumption, and greenhouse gas emission density in 2024 was due to a decrease in our production and sales volume during such period, while the energy and water resources used in office operation and maintenance of production equipment remained relatively stable as compared to historical periods.

In the next three years, our energy consumption target is to reduce energy consumption per unit of output by 2% compared to 2024.

According to the power consumption of the Group, as of December 31, 2022, 2023, and 2024 and May 31, 2025, the Group's electricity charges (including green power purchase costs) totaled RMB8.6 million, RMB32.4 million, RMB33.8 million and RMB13.6 million, accounting for 2.0%, 2.8%, 6.5% and 2.6% of operating income respectively, that is, from the perspective of Track Record Period, there was no significant impact on the Group's financial performance.

Water Resource Management

Our water resource utilization includes production water, cooling water and domestic water. During the Track Record Period, part of the cooling water came from our water reuse system and condensate recovery system, which can provide approximately 30,000 tons of cooling water per year. For domestic water, we have strengthened the awareness of water conservation among our employees and carried out water-saving transformation or upgrading of water-using facilities. We are also studying the establishment of rainwater collection pools for road cleaning and vegetation irrigation.

We continue to optimize water resource management by assigning specific personnel to take charge of daily inspection, optimizing water resource allocation, and improving water resource utilization efficiency through process transformation and process optimization. Through continuous optimization of wastewater treatment and recovery process, we recycle and reuse production process drainage, pure water system drainage, domestic water, and other water usage, achieving remarkable water-saving effect. Leveraging our water resource treatment, we have successfully reduced the consumption of fresh water by 2,000 tons of water per month, and reclaimed water by 11,000 tons per month after sedimentation treatment. We did not encounter any difficulty in obtaining water resource during the Track Record Period.

The following table shows our water resource consumption during the Track Record Period:

Metric		Unit	Year ended December 31, 2022	2023	2024	Five months ended May 31, 2025
Water consumption	Total water consumption	cubic metre (m^3)	89,147	316,149	404,622	211,705
	Water consumption intensity	ton(t)/ production volume of SiC epitaxial wafers (piece)	2	2	2	2

We have optimized the design of water system, properly arranged and designed water supply pipelines and process ports, and improved the reuse rate of water resources through upgrading water system equipment, collecting and reusing process water, and recycling wastewater. We have used intelligent control system to achieve accurate control of purified water equipment through sensors, flow meters, liquid level switches and automatic control technology. Over the next three years, our water consumption target is to reduce water usage per unit of product output by 2% compared to 2024.

According to the Group's water consumption, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, the Group's water fees (including sewage treatment fees) totaled RMB0.4 million, RMB1.4 million, RMB1.8 million and RMB0.9 million, respectively accounting for 0.1%, 0.1%, 0.3% and 0.2% of operating income, respectively. Therefore, from the perspective of Track Record Period, there was no significant impact on the Group's financial performance.

Response to Climate Change

We actively respond to climate change, with reference to the framework and recommendations of the Task Force On Climate-Related Financial Disclosures Working Group (TCFD) to prepare for new laws and regulations that may directly or indirectly affect operations in response to the potential impact of climate change.

GHG Emissions

Our greenhouse gas ("**GHG**") emissions are mainly GHG emission scope 2. As we started to purchase green electricity in 2024, our GHG emissions target for the next three years is to reduce GHG scope 2 emissions by 40% compared to 2024. For GHG scope 3 emissions, we are currently surveying the relevant emissions involved in accordance with the GHG Protocol.

The metrics we have identified include GHG emission scope 1, which consists of GHG emissions of diesel generator, and GHG emission scope 2, which consists of GHG emissions from purchased electricity.

The following table shows our GHG emissions during the Track Record Period:

Metric		Unit	Year ended December 31, 2022	2023	2024	Five months ended May 31, 2025
GHG emissions	Total GHG emissions (scope 1 and 2)(1)	tCO_2e	7,158	24,825	29,077	12,799
	Direct GHG mission (Scope 1)(2)	tCO_2e	—	2	2	—
	Indirect GHG mission (Scope 2)(3)	tCO_2e	7,158	24,823	29,076	12,799
	GHG emission density	tCO_2e/production volume of SiC epitaxial wafers (piece)	0.16	0.18	0.11	0.09

Notes:

(1) The total amount of GHG emissions equals to the sum of GHG emissions scope 1 and GHG emissions scope 2.

(2) The emission factors of GHG emission scope 1 derive from *Appendix 4 of the China Energy Statistical Yearbook 2020* and *IPCC, 2014: Climate Change 2014: Comprehensive Report, Intergovernmental Panel on Climate Change, Fifth Assessment Report, Reports from Working Groups I, II, and III.*

(3) The emission factors of GHG emissions scope 2 derive from the *Notice on the Management of Greenhouse Gas Emission Reports for Power Generation Enterprises in 2023–2025* (applicable to the calculation of the years ended December 31, 2022, 2023 and 2024 and for the five months ended May 31, 2025) released by the Ministry of Ecology and Environment of the PRC.

Governance

We have established an overall ESG governance with the determination of tackling climate change, clarifying the main responsibilities of the decision-making, management, and executive levels, and promoting the inclusion of ESG matters into our daily business decisions. We actively practice the concept of green development and take actions in our operation and environmental protection advocacy to mitigate climate change. During the Track Record Period, we established *Regulations on Business Trip Management* and advocated green travel concept for employees, increased our employee's awareness on energy conservation and environmental protection, strengthened our carbon emissions management, and realized green and low-carbon operation. In addition, we plan to adopt more scientific procurement plans and more efficient and intensive transportation plans, such as switching from purchasing liquid nitrogen and hydrogen to self-producing nitrogen and hydrogen through nitrogen generators and hydrogen generators, so as to reduce GHG scope 3 emissions. For detailed information of governance, see "— Environmental, Social and Governance Matters — ESG Governance" in this section.

Risk Management

We have formulated *Emergency Preparedness and Response Control Procedures* for accidents/disasters and other emergencies to effectively prepare for and respond to emergencies and minimize the possible consequences of accidents when accidents or emergencies occur. We identify our potential risks and accidents, including fire, explosion, typhoon, rainstorm, and earthquake. We formulate relevant emergency plans according to the actual potential emergency situations, specify the responsibilities of each department, contact numbers and handling methods, and organize emergency drills at least once a year to train employees and relevant parties for emergency preparation and response arrangements.

The Group is mainly engaged in the production of silicon carbide epitaxial wafers. The energy used in the production process is mainly purchased electricity, and it does not rely on fossil energy for production and manufacturing. As of the Latest Practicable Date, it is not a local key pollutant discharging unit. We prepared ESG related disclosures in the listing application documents in accordance with the relevant requirements of "Environment, Society and Governance" in the Guide on Environmental, Social and Governance Reporting. The relevant government policies of ESG have no significant impact on the business model of the Group. As far as social trends are concerned, with the rapid development of new energy industry in China and the world, the market prospect of silicon carbide epitaxial wafers is broad. Combined with the interaction of technological innovation, geopolitics and other factors, we actively grasp the dividend of domestic substitution policies and development opportunities by accelerating independent research and development efforts.

Metrics and Targets

According to the environmental impact assessment report, the environmental impacts of our production activities include: waste water, exhaust gas, hazardous and non-hazardous waste and noise. We have established sound system documents and formed a dedicated team for the monitoring and management of the risks of environment impact on our business. We gradually replaced smart metering instruments to monitor emissions in daily work, regularly collect relevant data on exhaust gas, waste water and hazardous and non-hazardous waste, and analyze and optimize space on this basis to set targets for reducing emissions. See "— Environmental Social and Governance Matters — Pollutant Discharge," "— Environmental Social and Governance Matters — Resource Consumption" and "— Environmental Social and Governance Matters — Response to Climate Change" in this section for detailed metrics, targets and measures for mitigating the risks of environment impact on our business.

Environmental Impact and Protection

We pay close attention to environmental impact assessment in accordance with laws and regulations, strictly implement the environmental impact assessment of construction projects and the "three simultaneities" system, ensure the normal operation of pollution control facilities, and strive to create a sustainable development operation model. Before the commencement of construction projects, we engage a third party to carry out environmental impact assessment and obtain the approval based on the expected discharge level of wastewater, exhaust gas and noise in the project, such as the use of highly volatile chemical reagents. After the completion of construction projects, we obtain completion and acceptance of the environmental protection facilities required for the projects, and obtain the completion acceptance reports.

Employment Management

We standardize the recruitment and employment management of employees, ensure the effectiveness of recruitment work, and select suitable and excellent talents. We procure our employees to work in a safe and healthy environment, and prohibit forced labor. During the Track Record Period, we did not recruit any child labor or experience any forced labor incidents.

We strive to prohibit all kinds of harassment, abuse and corporal punishment on employees. During the Track Record Period, we did not receive any report on any incident related to discrimination or harassment.

The following table shows the number of our employees by gender and age group as of the dates indicated:

		As of December 31,			As of May 31,
Metric		**2022**	**2023**	**2024**	**2025**
Number of employees		439	913	749	854
By gender	Male	368	767	620	703
	Female	71	146	129	151
By age group	30 and below	322	765	603	682
	31–40	80	110	108	119
	41 and above	37	38	38	53

We have set up an opinion collection mailbox, and provide employees with opportunities to directly send their complaints through e-mail to a representative of the senior management, ensuring effective conversations and keeping communications channel open wide among employees, each department and our senior management so as to establish a harmonious employment relationship.

In addition, we have established the *Regulations on Management and Election of Employee Representatives* to elect employee representatives every year and hold employee representative conferences to fully protect the rights and interests of employees.

Moreover, we implement the concept of combining production, learning, and research, and have established a collaborative research program with the Institute of Semiconductors of Chinese Academy of Sciences, provided joint training of master and doctoral students with Xiamen University, and post-doctoral students with Xi'an Jiao Tong University, and set up a post-doctoral innovation practice base in Guangdong to attract and cultivate high-level talents. We strive to improve the R&D capabilities of our R&D team capitalizing on three provincial engineering research centers, namely Guangdong Engineering Research Center, Guangdong Engineering Technology Research Center, and Guangdong Doctoral Workstation, as well as the technological innovation platform of Dongguan Songshan Lake enterprise.

Occupational Health and Safety

We have obtained the ISO45001 occupational health management system certification, formulated the *Environmental Safety Management Manual* and the *Control Procedure for Hazard Identification and Risk Assessment*, and conducted hazard identification and assessment every year, covering all of our employees and work areas. We attach great importance to the physical and mental safety of our employees, and provide them with opportunities of regular physical examinations. For positions involved in chemical production, cleaning, and testing, we arrange such employees to take annual occupational disease health examinations, and also when they just join the Group and are about to leave the Group. If any unusual physical indicator shows up, employees will be rotated and transferred to other positions. Employees can obtain their own medical reports at any time to learn their physical conditions. We also provide protective equipment and facilities to ensure the health and safety of our employees. During the Track Record Period, we did not have any work-related injury or death.

Supply Chain Management

We adhere to and implement the concept of sustainable development in the process of supply chain management, and have established the *Supplier Management Control Procedure*. Through the review, selection, and daily management of suppliers, we ensure that suppliers can continuously and stably provide qualified raw materials to meet the requirements of our product specifications. Before we consider including any new supplier in our list of qualified suppliers, we ask such supplier candidate to sign the *Supplier Quality Agreement* and the *Environmental Protection Agreement*. We assess the quality system certification status of major suppliers every year as part of our qualification assessment of suppliers. We record the type of certification system that suppliers have obtained, the effective date, or the type of system that will be obtained, and the date of reaching the standard in the *Supplier Quality Management System Development Plan*. We supervise the progress and follow up with suppliers on the implementation of their quality system. See "— Procurement and Supply — Our Suppliers — Supplier Management" for details of our selection of new suppliers and management of suppliers.

Product Quality and Safety

We are concerned about the quality and safety of our products, and have formulated the *Control Procedure for Corrective and Preventive Measures* to inspect and analyze the existing nonconforming products or nonconformities, and take corrective measures to eliminate the explicit or potential causes of nonconformities and prevent the recurrence of such nonconforming products or nonconformities. We take appropriate preventive measures to avoid hidden dangers and ensure the effective operation of our management system.

Customer Satisfaction

To improve customer satisfaction, we conduct an annual satisfaction survey on customers via email or phone and ask them to score for our products and services, which mainly converse product quality, service level, and timely delivery.

We have established a sound complaint handling process to ensure that customer complaints are handled in a timely and fair manner. We provide necessary technical support and resources to ensure that our employees can efficiently provide services to our customers.

We pay close attention to market trends and changes in customer needs, and constantly innovate products and services to meet or even exceed customer expectations by investing in R&D, introducing new technologies and equipment, and improving the technical aspects and adding value in our products. We focus on product quality and safety, carry out quality management, strictly control product quality, and provide high-quality services to customers. We have established a sound quality management system to ensure that product quality is controllable, regularly evaluate and monitor suppliers, and optimize the supply chain structure.

We take a series of measures to improve our service quality, including establishing a sound customer feedback mechanism, collecting and handling customer opinions in a timely manner, and ensuring that customer needs are met. We also regularly provide service skill trainings for employees to improve their service awareness and professional competence.

Customer Privacy and Protection

We attach great importance to data security and privacy protection during our business operation. We primarily follow the requirements of the ISO27001 information security management system. We make clear the necessity of information collection, clearly inform customers why we need a certain piece of information when collecting it, and make sure we use and store it the way our customers can accept, to enhance customer trust. In addition, we have also adopted customer privacy protection measures including limiting the number of employees accessing customer information by assigning them appropriate authority levels, and forming customer codes to avoid direct contact customer information and prevent data leakage. See "— Data Privacy and Information Security Risk Management.".

During the Track Record Period, we did not experience any incidents related to data security.

Anti-corruption

We attach great importance to anti-corruption and have formulated the *Measures for the Management of Anti-fraud, Reporting and Complaints*. Each department and its functional units assesses the fraud risks in their respective areas of responsibility, identifies the links prone to fraud, and designs prevention and control measures in relevant systems.

We have primarily adopted the following measures:

- Advocate for a corporate culture of integrity, and strive to create a working environment against fraud;

- Educate employees on laws, regulations, and professional ethics through various forms, such as through employee handbook, rules and regulations releases, and public domains;

- Establish specific control procedures and mechanisms, including financial, business, and other multi-level management systems, to reduce the opportunities for fraud occurrence. We also conduct continuous supervision on fraud and incorporate it into daily control activities; and

- Establish an internal audit department as our standing organization for anti-fraud work, which is responsible for receiving fraud reports, investigations, reports and opinions, and accepting supervision from the board of directors and our supervisors.

During the Track Record Period, we did not receive any material investigations with respect to anti-corruption matters.

Social Responsibility

We devote ourselves to social welfares, integrate into and actively give back to the development of local communities, and make contributions to disaster donations and other undertakings.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors.

Prevention and Control of Occupational Diseases

Details of non-compliance

Southern Semiconductor, our non-wholly owned subsidiary, commenced an occupational disease hazardous project in September 2024, which included operational activities that involved possible radiation and hazardous gas leak. As required by the relevant PRC laws and regulations, Southern Semiconductor should complete the filing of the occupational disease hazardous project ("**Filing of Occupational Disease Hazardous Project**") in a timely manner. According to our PRC Legal Advisors, where a work site has any occupational disease hazard factors listed in the PRC catalogue of occupational diseases, the enterprise shall truthfully declare the hazardous project to the health administrative department in a timely manner and accept supervision. Any enterprise failing to declare the hazardous project to the health administrative department, or publish the results of testing or evaluation of occupational disease hazards at the work site may be warned and ordered to make corrections by the health administrative department. If the correction is not completed within the time limit provided by the health administrative department, the enterprise may be fined up to RMB100,000. Southern Semiconductor did not complete such filing in a timely manner since the relevant equipment that might leak radiation and hazardous gas had not been officially put in use.

Southern Semiconductor had completed the Filing of Occupational Disease Hazardous Project in November 2024, and had not received any feedback from the health administrative department upon completion of the filing. During the Track Record Period and up to the Latest Practicable Date, Southern Semiconductor had not received any rectification requirements or administrative penalties from relevant authorities.

Opinions of the PRC Legal Advisors

Our PRC Legal Advisors are of the view that the risk of relevant authorities imposing administrative penalties on Southern Semiconductor is low for the following reasons: (i) Southern Semiconductor engaged a third-party professional organization to complete the assessment of occupational hazardous factors; (ii) Southern Semiconductor proactively reported to the health administrative department and completed such filing; (iii) the Company has actively rectified the relevant irregular conduct and has also established and effectively implemented a targeted internal control system; and (iv) the Controlling Shareholders will undertake to indemnify the Company if it is ordered by the relevant authorities to pay penalties regarding the non-compliance.

Internal Control Measures

As of the Latest Practicable Date, we have formulated and implemented detailed internal control policies, procedures and guidelines in relation to the prevention and control of occupational diseases to prevent reoccurrence of the non-compliant incident. These internal control policies include, among others, seeking legal advice before purchasing the equipment which may relate to the occupational disease to understand relevant requirements to ensure the compliance with the same, keeping regular update on the development of the occupational hazardous requirement and reminding relevant staff to seek approval from the management before making relevant purchases.

Financing Arrangements

Details of non-compliance

In 2021, the Company entered into a total of six financing arrangements (the "**Financing Arrangements**") with Wanjiang Branch of Bank of Dongguan, Dongguan Branch of China Everbright Bank, Dongguan Branch of China Construction Bank and Dongcheng Branch of Dongguan Rural Commercial Bank (the "**Lending Banks**"), respectively. Our Directors are of the view that the Financing Arrangements were entered into on normal commercial terms taking into account the comparability of the terms with other bank loans of similar size prevailing during the relevant period.

The Company entered into certain procurement agreements with a company controlled by an Independent Third Party (the "**Relevant Party**") for the purchase of raw materials. The Relevant Party, being the then and current office manager of the Company, was considered by the Company to have a solid understanding of its operations, internal procedures, and procurement requirements. In addition, the Relevant Party was regarded by the Company as having relevant industry experience and a demonstrated track record in managing external communications, logistics, and supplier relationships. The Company placed order to purchase SiC substrates with the Relevant Party and transmitted the loans to the Relevant Party as a payment to the SiC substrate supplier. Leveraging his experience and the Company's confidence in his ability, the arrangement was seen at the time as a commercially sound solution to address the Company's sourcing needs. However, the Relevant Party was ultimately unable to identify suitable suppliers that could meet the Company's strict procurement requirements, the transactions did not materialize, and the relevant loan proceeds were remitted to the Company. The Company transferred the funds to the Relevant Party during February 2021 to October 2021, and the funds were returned to the Company before each of the loans' maturity date, which took place during September 2021 to May 2022. The Company did not notify the Lending Banks that such transactions did not materialize because they were not required to do so since there is no such requirement under the relevant loan agreements. The relevant loan proceeds amounted to approximately RMB117.5 million in total.

As advised by the PRC Legal Advisors, pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the PBOC and Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan proceeds in accordance with the stipulated purpose stated in the loan agreement. As the transactions did not materialize between the Company and the Relevant Party for the Financing Arrangements, such Financing Arrangements did not comply with the terms of the relevant loan agreements and the PRC laws and regulations.

The Financing Arrangements occurred primarily because of the Group's intention to obtain working capital. Our Directors were not involved in the execution details of the procurement transactions with the Relevant Party and/or the Financing Arrangements, but were aware of the Financing Arrangements upon signing on the relevant documents as per the requirements of the Lending Banks. However, the Directors did not have legal knowledge on the relevant laws and regulations when the Financing Arrangements were entered into. Our Directors confirmed that the Company has not been involved in any non-compliant financing arrangement since October 2021 and during the Track Record Period and up to the Latest Practicable Date. The aforementioned funds were held by the Company for not more than one year as the relevant loans had not reached the settlement date, and all loans relating to the Financing Arrangements were settled in full by August 2022 in accordance with their terms and conditions. Our Directors are of the view that the Group's liquidity would not be materially and adversely affected had the Financing Arrangements not been available to the Group, having considered the fact that the Financing Arrangements were all settled in full pursuant to the terms of the relevant loan agreements and that the Company had been able to obtain sufficient banking facilities during the Track Record Period. As of September 30, 2025, we had committed unutilized banking facilities of RMB5,124.1 million.

Confirmation from the regulatory authority

The Dongguan Branch of the PBOC issued a written confirmation in February 2023 (the "**PBOC Confirmation**") stating that the Company were not imposed of any administrative penalties during the period from January 1, 2020 to December 31, 2022. As advised by the PRC Legal Advisors, the PBOC is the regulatory authority responsible for monitoring lending activities of banking institutions in the PRC pursuant to Article 6 of the General Lending Provisions.

Confirmations from the Lending Banks

Each of the Lending Banks issued a written confirmation in February 2023 stating that as of the date of the confirmation, among others, the Company and the relevant Lending Bank did not have any arguments or disputes, and the Lending Bank had not imposed any punitive measures on the Company.

Opinions of the PRC Legal Advisors

Our PRC Legal Advisors are of the view that the Company is not subject to criminal liability in connection with the Financing Arrangements, and the Company will also not be penalised for the Financing Arrangements or subject to civil liabilities arising from civil claims from the Lending Banks for the following reasons:

(i) according to Article 36 of the Administrative Punishment Law of the PRC, if an illegal act is not discovered within two years, administrative punishment shall no longer be imposed. The Financing Arrangements were completely terminated in August 2022, and as of the Latest Practicable Date, more than two years have passed. Based on the aforementioned provision, the competent authority should no longer impose administrative punishment;

(ii) the loan proceeds involved were primarily used for the Company's daily operation use. The loans were not used in prohibited areas or for purposes restricted by the state from production and operation;

(iii) the Financing Arrangements did not jeopardise the rights and interests of state financial institutions and financial security;

(iv) the principal and interest of such loans had been fully settled in accordance with the provisions of the loan agreements and did not cause losses to the relevant Lending Banks;

(v) the Company obtained confirmations from each of the Lending Banks and the Dongguan Branch of the PBOC as disclosed above;

(vi) the Company has actively rectified the relevant irregular conduct. It has also established and effectively implemented a targeted internal control system; and

(vii) the Controlling Shareholders will also undertake to indemnify the Company if it is ordered by the Lending Banks or relevant regulatory authorities to pay penalties.

Internal Control Measures

As of the Latest Practicable Date, our Group has implemented internal guidelines and policies to prevent reoccurrence of the non-compliant incident, including:

- we have formulated and implemented detailed internal control policies, procedures and guidelines in relation to approving, reporting and monitoring our loans or credit facilities, loan drawdowns and use of loan proceeds;

- where there arises a need to obtain financing, our financing manager shall prepare a proposal setting out the details which, shall be submitted for approval by our financial director and general manager, and may require further approval by our Board or the shareholders at a general meeting, depending on the amount involved;

- our finance department shall keep and verify the authenticity and legality of all loan agreements, corresponding supplier contracts and invoices where applicable, and keep record of details of such loans in our internal register;

- our finance department has been instructed to ensure that all loan proceeds will be used according to the specified use under the relevant loan agreement. Our finance department shall maintain a control list categorizing different types of loans. All use of loan proceeds will be monitored by a dedicated audit personnel who has the right to inquire about all loan payments to ensure they are made in accordance with the specified use stated in the loan agreements. Any repayment of the loan principal amount and interest shall be recorded and managed by the financial director;

- we have established an audit committee to review and supervise our financial reporting progress and internal control system, including, amongst other things, loan financing matters; and
- we will seek external legal advisers' views if we have uncertainties in respect of the legality of certain transactions involving financing, the use of loan proceeds and potential non-compliances in relation to loan financing.

To manage potential conflicts of interest and enhance transparency in its operations, the Company has adopted the following internal control measures:

Employee Integrity Commitment and Disclosure of Other Business Upon Onboarding

The Company has required all newly joined staff to sign an integrity and self-discipline statement (《廉潔自律書》) upon commencement of employment. This declaration affirms the employee's commitment to ethical behavior, avoidance of conflicts of interest, and compliance with the Company's internal rules and standards of conduct, including the Conflicts of Interest Policy.

Besides, the Company has required all newly joined staff to disclose to the Company all the business he/she conducts other than the employment with the Company, as well as all operating entities he/she controls or owns. The Company maintains a list of such related entities, and update the list periodically. The Company reviews such list each time when conducting business activities to ensure no conflict of interest arises, or only exists under the supervision of the Company.

Conflict of Interest Policy and Declaration Procedures

The Company has adopted a conflict of interest policy which requires all directors, senior management, supervisors and employees to disclose any personal interest in transactions or relationships with counterparties. Where a potential conflict is identified — such as dealings with entities related to Company personnel — the matter is escalated to senior management for review. The individual concerned is required to abstain from participating in the relevant transaction. This policy promotes transparency, safeguards against biased decision-making, and strengthens internal accountability in procurement and other business dealings.

Procurement and Supplier Due Diligence

The Company has implemented basic supplier due diligence procedures. All new suppliers are required to provide copies of their valid business license and relevant qualification or certification documents. These materials are reviewed to verify that the supplier is legally established and authorized to conduct the relevant business. Besides, the Company will conduct a desktop search to see if there is any relationship of the suppliers with the Group.

Related Party Transaction (RPT)/Connected Transaction Policy and Monitoring

The Company has required employees to identify any personal or familial relationships with business counterparties. The Company keeps internal records of transactions involving known related parties for monitoring. The Company will implement a formal connected transaction policy upon the Listing, which will set out the approval, disclosure, and record-keeping requirements for connected transactions in accordance with applicable Listing Rules and corporate governance standards.

Staff Training on Conflict of Interest

The Company has developed a plan to provide training to staff in key functions, including procurement, finance, and operations, to raise awareness of conflict of interest risks and internal control policies. The proposed training will cover practical case scenarios and guidance on identifying and managing potential conflicts in the course of daily business activities. The Company intends to implement this training program in due course.

Whistleblower Channel

The Company has maintained an anonymous whistleblower channel to allow employees and external parties to report suspected misconduct, procurement irregularities, or undisclosed conflicts of interest. All reports are reviewed independently, and appropriate follow-up action is taken where necessary.

During the process of preparing for the Listing, the Company had engaged an internal control consultant to perform internal control review in connection with the internal control of the Company on the entity-level controls and internal controls of various processes including financing management in accordance with AATB 1 issued by the Hong Kong Institute of Certified Public Accountants, and no further recommendation has been provided by the internal control consultant after the follow-up review.

Given that (i) the non-compliant incident occurred mainly due to the Group's intention to obtain working capital at a faster pace; (ii) our PRC Legal Advisors are of the view that the Company is not subject to criminal liability in connection with the Financing Arrangements, and the Company will also not be penalised for the Financing Arrangements or subject to civil liabilities arising from civil claims from the Lending Banks; (iii) the Financing Arrangements has been ceased since October 2021 and all loans relating to the Financing Arrangements were settled in full by August 2022; and (iv) our Group has adopted the abovementioned major internal control measures to prevent reoccurrence of the non-compliant incident, our Directors are of the view that the Financing Arrangements do not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our Group's suitability for listing under Rule 8.04 of the Listing Rules.

Save as disclosed above, to the best knowledge of our Directors and as confirmed by our PRC Legal Advisors, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. Despite of our sales to overseas countries and regions during the Track Record Period and revenue generation from outside PRC from an accounting perspective, our business operations, including sales and delivery of products, took place within PRC, and therefore PRC was the only relevant jurisdiction relating to our business operations. We are of the view that we have in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

International Sanctions and U.S. Export Control Implications

Business Activities with One Non-sanctioned Customer Located in a Region subject to International Sanctions

Certain countries or organizations, including the U.S., the European Union, the United Kingdom, the United Nations and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the Countries subject to International Sanctions. During the Track Record Period, we sold Chinese-origin SiC epitaxial wafers (the "**Wafer Products**") to a single, non-SDN Russian customer (the "**Non-sanctioned Customer**") located in Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions of Ukraine). The revenue generated from such sales was approximately RMB693,685, RMB2,112,000, nil and nil for the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, respectively, representing approximately 0.2%, 0.2%, nil and nil of our total revenue for the corresponding years, respectively. These transactions were carried out by our Group entities incorporated in China directly to the Non-sanctioned Customer. Payments received in the year ended December 31, 2022 were denominated in USD, and the payments received in the year ended December 31, 2023 were denominated in RMB. No other nexuses to the United States, the European Union, the United Kingdom or Australia have been involved in our sales to the Non-sanctioned Customer. We ceased such sales to the Non-sanctioned Customer and accordingly, Russia, as such customer is our only Russia-based customer, in July 2023.

OFAC can impose secondary sanctions through authorities promulgated through certain executive orders, including the EO 14024 and EO 14114 discussed more in detail below. The Annex to the Determination issued by OFAC on December 22, 2023 pursuant to Section (a)(ii) (the "**Russia Critical Items Determination**") of Executive Order 14024 ("**EO 14024**") identifies "silicon wafers" as a critical item. The Wafer Products were older technology, primarily intended for small, low-end consumer goods. Our last shipment of the Wafer Products to the Relevant Region was in July 2023 pursuant to a sales contract entered into in April 2023 because we no longer produce such older technology wafers since then. Therefore, our sales ceased soon after OFAC's designation of Russia "manufacturing" sector under EO 14024 in May 2023 (and before the issuance of the Russia Critical Items Determination in December 2023), and our sales took place after the designation of Russia's "technology" and "electronics" sectors under EO 14024 in April 2021 and March 2022, respectively. The inclusion of silicon wafers in that Determination also indicates that

OFAC could view our provision of such items to Russia as our "operation in" a designated sector of Russia's economy, which include "manufacturing," "electronics," or "technology" sectors designated under EO 14024 in addition to the "defense" sector.

OFAC states that "[f]oreign financial institutions (FFIs) may be sanctioned for having conducted or facilitated any significant transaction or transactions, or provided any service, involving Russia's military-industrial base, including the sale, supply, or transfer, directly or indirectly of these identified items." Foreign financial institutions, including banks that we use, may be subject to such sanctions risks. However, we are not a foreign financial institution within the meaning of EO 14024, as amended by Executive Order 14114, and should not be directly impacted by the Russia Critical Items Determination. The sales of Wafer Products to the Relevant Region can be viewed as Secondary Sanctionable Activities which create exposure for us that OFAC could use its discretionary authority set forth in EO 14024 to designate us as an SDN, according to our International Sanctions Legal Adviser. However, given the aforementioned factors, the risk is low that OFAC would use its discretionary authority to designate us as an SDN under this authority.

Based on (i) the Wafer Products were relatively older technology wafers intended for low-technology products, (ii) the sales volumes were relatively small, (iii) shipments made by July 2023 were pursuant to a sales contract concluded in April 2023, which was before the May 2023 designation of the "manufacturing" sector, with no sales completed after the May 2023 designation nor after the Critical Items Determination, and (iv) President Trump's recent statements that imposition of new sanctions on Russia could hurt the Ukraine/Russia peace talks, we have been advised by our International Sanctions Legal Adviser that (i) the Group did not engaged in Primary Sanctioned Activities and has no primary sanctions violations, and (ii) the historical business dealings are unlikely to result in the imposition of designations under secondary U.S. sanctions. Therefore, it is of the view of our International Sanctions Legal Advisor that the Group is not subject to material sanctions risks. The US policy stance toward Russia sanctions enforcement may change in the future and this assessment is based on the current environment and the facts noted above. Based on the above, our Directors are of the view that there would not be material adverse impacts on the Group's operations and performance.

Further, as advised by our International Sanctions Legal Adviser, considering that (i) Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions of Ukraine) is not a Comprehensively Sanctioned Country; (ii) the Non-sanctioned Customer was not identified on the SDN List maintained by OFAC or the relevant restricted parties lists maintained by the European Union, Australia and the United Nations; (iii) the products we sold were Chinese-origin Wafer Products that were not subject to any export controls administered by the United States, the European Union, the United Kingdom or Australia, these sales to the Non-sanctioned Customer did not represent a Primary Sanctioned Activity nor a violation of the applicable primary International Sanctions.

Business Activities with Certain Entities subject to U.S. Export Control Restrictions

During the Track Record Period, we had sales to certain entities subject to U.S. export control restrictions by designation on the Entity List maintained by the BIS (the "**Entity List Customers**"). The sales to the Entity List Customers included a certain amount of SiC substrates from our supplier located in the U.S. The SiC substrates are classified as EAR99 and hence are not controlled content for purposes of sales to the Entity List Customers. The revenue generated from such sales was approximately RMB3.8 million, RMB0.6 million, nil and nil for the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, respectively, representing approximately 0.9%, 0.1%, nil and nil of our total revenue for the corresponding years, respectively. We ceased such sales to the Entity List Customers in July 2023.

As advised by our International Sanctions Legal Adviser, products subject to the EAR are generally prohibited from exporting to any entities designated on the Entity List unless licensed. Considering that (i) all products we sold to these Entity List Customers were Chinese-origin Wafer Products and the SiC substrates are classified as EAR99, (ii) the foreign direct product rule in §734.9 of the EAR is not applicable, and (iii) these sales were conducted by the Group entities incorporated in China and were performed domestically, our International Sanctions Legal Adviser is of the view that, no export control license is required for us to conduct such sales to these Entity List Customers, and these sales did not represent a Primary Sanctioned Activity nor a violation of the applicable U.S. export control restrictions. Thus, it is of the view of our International Sanctions Legal Advisor that we are not subject to material sanctions risks.

U.S. Chip Export Restrictions

On October 7, 2022, the U.S. Department of Commerce, the BIS published rules that introduce new restrictions related to semiconductors, semiconductor manufacturing, supercomputers, and advanced computing items and end uses in Chinese Mainland, Hong Kong SAR or Macau SAR (the "**U.S. Chip Export Restrictions**"). BIS' rules on advanced computing and semiconductor manufacturing were implemented in two key areas. First, these rules impose restrictive export controls on certain advanced computing semiconductor chips and software, transactions for supercomputer end-uses, and transactions involving certain entities on the Entity List. Second, these rules impose new controls on certain semiconductor manufacturing items and on transactions for certain integrated circuit end uses. During the Track Record Period, we procured certain substrates from the U.S. that would be considered subject to the U.S. Export Administration Regulations ("**EAR**") and classified as EAR99, a classification of items subject to the EAR which no special license is required for shipment. The cost of procurement of these EAR99 substrates were approximately RMB62.7 million, RMB33.7 million, RMB90.7 million and nil, for the years ended December 31, 2024 and the five months ended May 31, 2025. Given the above, as advised by our International Sanctions Legal Adviser, our activities did not represent a violation of the applicable U.S. export control restrictions because we are not required to obtain a license to procure such EAR99 substrates. Since 2025, we have located other Chinese-origin alternatives at a comparable price and quality, and thus, we have prioritized our domestic procurement and have no procurements of such EAR99 substrates since then. Because of the same reason that we have located comparable domestically produced alternatives, our Directors are of the view that we do not rely on US-originate technology or raw material for our operations, and the applicable U.S. export controls on such EAR99 substrates have no material adverse impact to our business operations. Our Directors are therefore of the view that these recent regulatory developments have not had and will not have any direct and/or indirect material adverse impact on our business operations and financial performance.

Risk Exposure and Internal Controls

We have no control over the countries to which the downstream customers will sell and/or export their end products. There is no assurance that our downstream customers will not engage in the export sale of their end products (which contain our Wafer Products) into the U.S. or other countries and that the export sale of their end products into the U.S. or other countries will not be subject to the restrictions introduced by the U.S. or other countries. If the export sales of the downstream customers' end products are restricted, prohibited or made subject to any trade restrictions under any international trade policies or international export controls or economic sanctions imposed by any jurisdictions, the downstream customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected. Authorities of the U.S., the European Union, the United Nations, the United Kingdom, Australia or any other jurisdictions have the discretion to impose or provide a basis, including for operating in certain highly regulated sectors.

Considering the sensitivity of our products, we have ceased our transactions with the Non-sanctioned Customer, Russia and the Entity List Customers to mitigate exposure to sanctions risks. In addition, we have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address economic sanction risks. We have adopted the following additional internal control and risk management measures:

- we will set up and maintain a separate bank account upon the Listing, which will be designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our legal and finance department is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our legal and finance department will hold a meeting biannually to monitor our exposure to sanctions risks and to review our procedures implemented over sanctions screening;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in countries subject to International Sanctions or sanctions persons. According to our internal control procedures, our legal and finance department needs to review and approve all relevant business transaction documentation from customers or potential customers from countries subject to International Sanctions or sanctions persons. In particular, screening process will be implemented to identify if our potential transaction counterparty is a person or entity on the various lists of restricted parties and countries maintained by the U.S., the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available. The transactions that fail the internal review will not be proceeded. At the same time, our legal and finance department will, periodically review the existing customers and suppliers lists to ensure that the Group does not engage in transactions with countries, regions, entities or individuals on the sanction lists. If any potential sanctions risk or suspicious transaction is identified, we may seek advice from reputable external legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Targets where this would be in breach of International Sanctions;

- our legal and finance department will review our internal control policies and procedures with respect to sanctions matters as part of the biannual meeting. As and when our legal and finance department considers necessary, we will retain external legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, we will engage external legal counsel to provide compliance training relating to the international sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Targets. We expect our external legal counsel to provide the latest list of Sanctioned Countries to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally.

Our Directors confirm that we do not have present intention to undertake any business involving directly or indirectly the Comprehensively Sanctioned Countries or Russia. We will not knowingly or intentionally conduct any business with any Sanctioned Targets, or any business in any Comprehensively Sanctioned Countries or Russia that will cause us to violate International Sanctions, and we will not use the proceeds from the Global Offering to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets. Our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Comprehensively Sanctioned Countries or Sanctioned Targets where this would be in breach of International Sanctions. Based on the above, the Sole Sponsor is of the view that it has not identified any material issues relating to the adequacy and effectiveness of our internal control measures to manage our exposure to sanction risks.

Given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Adviser is of the view that the sanctions risk exposure to the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, future investors and future public shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares, including the Stock Exchange and its related group companies is low.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations and have established a risk management system with relevant policies and procedures that we believe are appropriate for our business operations. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery and kick-back. Such risk management policies are established by our Board based on the current effective laws and regulations of the PRC and our Memorandum and Articles and Association.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted and will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. For details of the qualifications and experience of these committee members, see "Directors and Senior Management;"
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to policies and procedures related to internal control and risk management, periodically reviewing their effectiveness and compliance to relevant rules and regulations; and
- continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures. We also provide regular training to our finance team members to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, we maintain an independent external law firm to perform the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our external legal experts help examine the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Anti-bribery and Kick-back Risk Management

In terms of anti-bribery and kick-back prevention, we have implemented a series of policies and internal control measures against bribery and kick-back, which set forth procedures for implementing relevant anti-bribery procedures and setting out anti-bribery responsibilities for relevant personnel. We will strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and kick-back prevention policies. Improper payments prohibited by such policies include bribes, kickbacks, falsification and alteration of accounting and business documents, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Payment made in violation of the anti-bribery and kick-back prevention policies is strictly prohibited. Our internal audit team is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels, establish whistleblower policy and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-bribery policies. During such investigations, our internal audit team complies with relevant laws and anti-bribery policies and provides written feedback as necessary.

OVERVIEW

Our Board of Directors consists of six Directors, including one executive Director, two non-executive Directors and three independent non-executive Directors. Our Board is responsible, and has general authority for, the management and operation of our Group. Our Directors are appointed for a term of three years and shall be subject to re-election upon expiry of their term of office.

Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. The shareholder Supervisors were elected at the Shareholders' meetings, while the employee Supervisor was elected by our employees. Our Supervisors are appointed for a term of three years and shall be subject to re-election upon expiry of their term of office.

Our senior management consists of five members who are responsible for the day-to-day management of our Group's business.

DIRECTORS

The table below sets out certain information of our Directors:

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Li Xiguang (李錫光)	58	January 7, 2009	January 7, 2009	Chairman, executive Director, and general manager	Responsible for the overall strategic planning, business direction and management of our Group	Uncle of Mr. Li Zhuoxing, a member of senior management
Mr. Au Yeung Chung (歐陽忠)	62	January 7, 2009	October 26, 2022	Non-executive Director	Responsible for providing strategic advice on the development of our Group	Nil
Mr. Jiang Dacai (姜達才)	57	October 26, 2022	October 26, 2022	Non-executive Director	Responsible for providing strategic advice on the development of our Group	Nil

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. He Zhengsheng (賀正生)	44	October 26, 2022	October 26, 2022	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	Nil
Ms. Li Min (李旻)	54	October 26, 2022	October 26, 2022	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	Nil
Mr. Vincent Chin (錢榮澤)	54	November 29, 2024	November 29, 2024	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	Nil

Executive Director

Mr. Li Xiguang (李錫光), aged 58, is the Chairman, our executive Director and general manager. Mr. Li is one of our Controlling Shareholders. He, together with Mr. Au Yeung, founded our Group in January 2009 and has served as the Chairman, Director, and general manager of our Company since then. Mr. Li has also been the chairman of the board of directors, director, and general manager of Southern Semiconductor since November 2016. He was re-designated as an executive Director on November 29, 2024. Mr. Li is primarily responsible for the overall strategic planning, business direction and management of our Group. Mr. Li is also the chairman of our Strategic and ESG Committee and a member of our Nomination Committee.

Mr. Li has over 25 years of experience in business management and over 15 years of experience in the semiconductor industry. Since November 1998, Mr. Li has been the executive director, mainly responsible for the overall management, of Dongguan Hongchang Cement Products Company Limited* (東莞市鴻昌水泥製品有限公司), which was principally engaged in sales of prefabricated cement parts, prefabricated pipe piles and strong water pipes and has no substantial operation currently. Since January 2004, Mr. Li has been the executive director, mainly responsible for the overall management, of Dongguan Yuebao, which was principally engaged in production of audio and video disc and has no substantial operation currently. Since February 2018, Mr. Li has been the legal representative and executive director, mainly responsible for the overall management, of Guangdong Tianze Hengyi Technology Company Limited* (廣東天澤恒益科技有限公司), which has no actual business currently. Notwithstanding Mr. Li's directorships outside our

Company, given that (i) Mr. Li has been Director since the establishment of our Company for over 15 years and is familiar with the operational needs of our Group, he is able to effectively and efficiently provide critical business decisions for our Company; (ii) Mr. Li is supported by the experienced management team of our Group, to which Mr. Li can delegate day-to-day operational tasks and responsibilities within our Company efficiently; and (iii) the other three companies do not have substantial operations, Mr. Li is able to devote sufficient time to the Board and attention to the daily operations of our Company and that Mr. Li's directorships outside our Company would not affect him in maintaining his current role in, and his functions and responsibilities for, our Company.

Mr. Li was a representative of Dongguan Municipal People's Congress (東莞市人民代表大會代表) from 2007 to 2012 for two consecutive terms. Mr. Li is currently a member of the 14th Committee of the Dongguan Municipal Committee of the Chinese People's Political Consultative Conference* (東莞市政協第十四屆委員會委員). He has been the vice chairman of the committee of World Dongguan Entrepreneurs Federation* (東莞世界莞商聯合會) since September 2021. Since September 2022, he has been the member of the executive committee of the 13th Guangdong Federation of Industry and Commerce* (廣東省工商聯第十三屆執委會執委). He was awarded the Guangdong Electronic Information Science and Technology Award* (廣東省電子信息科學技術獎). Mr. Li was awarded as Outstanding Private Entrepreneurs (優秀民營企業家) of Dongguan in 2024.

Mr. Li obtained his bachelor diploma's degree in executive management from Southwest Jiaotong University (西南交通大學) in Sichuan, the PRC in January 2011.

Mr. Li was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Guangdong Tianyu Technology Investment Company Limited* (廣東天域科技投資有限公司)	PRC	Research & development, investment, and sales of silicon carbide epitaxial wafers; provision of technical consultation services and technology transfer related to silicon carbide epitaxial wafers; import and export of goods	Legal Representative, executive director and general manager	Cessation of business operations	November 17, 2010	Deregistration
Dongguan Hengji Pile Foundation Engineering Company Limited* (東莞市恒基樁基工程有限公司)	PRC	Construction of various foundation and base engineering, earthwork engineering (operated with valid qualification certificate)	Supervisor	Cessation of business operations	January 19, 2011	Deregistration
Shenzhen Tianyu Hongtu Technology Company Limited* (深圳市天域鴻圖科技有限公司)	PRC	Proposed to be principally engaged in production and sale of substrates	Legal Representative and general manager	No actual business commenced	August 17, 2021	Deregistration
Dongguan Juwei Real Estate Company Limited* (東莞市聚煒置業有限公司)	PRC	Real estate agency services; property leasing; property management	Supervisor	Cessation of business operations	September 4, 2023	Deregistration

Mr. Li confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Non-executive Directors

Mr. Au Yeung Chung (歐陽忠), aged 62, is our non-executive Director. Mr. Au Yeung is one of our Controlling Shareholders. He together with Mr. Li, founded our Group in January 2009, and acted as a Supervisor since then. Mr. Au Yeung was appointed as a Director since October 2022 and re-designated as a non-executive Director on November 29, 2024. Mr. Au Yeung has also been the director of Southern Semiconductor since April 2020. Mr. Au Yeung is mainly responsible for providing strategic advice on the development of our Group. Mr. Au Yeung is also a member of each of our Remuneration Committee and Strategic and ESG Committee.

Mr. Au Yeung has over 28 years of experience in business management and over 15 years of experience in the semiconductor industry. The following table summarises Mr. Au Yeung's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Riverside Garden Commercial Residential Community Construction Company Limited* (東莞江濱花園商品住宅小區建造有限公司)	Construction of commercial residential community	Director	Overall management	Since October 1996
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since June 1999
Dongguan Jintian Paper Company Limited* (東莞市金田紙業有限公司)	Production and sales of paper products	Executive director	Strategic planning, investment decision-making and overall management	Since August 2003

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Guangdong Zhuoruiyuan Jingmi Manufacturing Company Limited* (廣東卓瑞源精密製造有限公司)	Manufacturing of instruments and meters, intelligent vehicle equipment, electronic components and other general instruments	Executive director	Strategic planning and investment decision-making	Since August 2019

Mr. Au Yeung has been the chairman of the committee of World Dongguan Entrepreneurs Federation* (東莞世界莞商聯合會) since June 2022.

Mr. Au Yeung was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Qitai Real Estate Company Limited* (東莞市啟泰置業有限公司)	PRC	Property investment and leasing	Supervisor	Cessation of business operations	December 31, 2008	Deregistration
Guangdong Tianyu Technology Investment Company Limited* (廣東天域科技投資有限公司)	PRC	Research & development, investment, and sales of silicon carbide epitaxial wafers; provision of technical consultation services and technology transfer related to silicon carbide epitaxial wafers; import and export of goods	Supervisor	Cessation of business operations	November 17, 2010	Deregistration
Dongguan Yinhai Investment Company Limited* (東莞市銀海投資有限公司)	PRC	Industrial investment, property leasing, enterprise management consultation	Supervisor	Cessation of business operations	February 4, 2015	Deregistration
Dongguan Zhongqi Industrial Investment Company Limited* (東莞市中奇實業投資有限公司)	PRC	Industrial Investment, property leasing and property management	Executive director, manager	Cessation of business operations	December 3, 2014	Deregistration
Hejiang Jintian Daily Necessities Company Limited* (合江金田生活用品有限公司)	PRC	Production and sales of toilet paper, paper handkerchiefs and paper napkins	Supervisor	Cessation of business operations	December 5, 2015	Deregistration

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Junyang Industrial Investment Company Limited* (東莞市君陽實業投資有限公司)	PRC	Industrial investment and project investment	Executive director, manager	Cessation of business operations	June 29, 2018	Deregistration
Dongguan Wanjiang Sunshine Industrial Investment Company Limited* (東莞市萬江陽光實業投資有限公司)	PRC	Industrial investment; property leasing and management	Executive director, general manager	Cessation of business operations	November 20, 2019	Deregistration
Dongguan Yitian Investment Development Company Limited* (東莞市溢田投資發展有限公司)	PRC	Development and operation of real estate; property investment and management	Executive director, manager	Cessation of business operations	September 29, 2020	Deregistration
Shenzhen Tianyu Hongtu Technology Company Limited* (深圳市天域鴻圖科技有限公司)	PRC	Proposed to be principally engaged in production and sale of substrates	Executive director	No actual business commenced	August 17, 2021	Deregistration
Jintian Daily Necessities Company Limited* (金田生活用品有限公司)	PRC	Production and sales of toilet paper, paper handkerchiefs, paper napkins, makeup removal tissues and other thin paper products disinfecting wipes, tissue paper, diapers, sanitary napkins, and panty liners	Supervisor	Cessation of business operations	December 12, 2022	Deregistration
Hebei Jintian New Materials Company Limited* (河北金田新材料有限公司)	PRC	Technology development, technology transfer and technology services of new packaging material; manufacturing and sales of new packaging materials; manufacturing and sales of machine-finished paper; sales of machinery and equipment; solid waste management	Executive director	Cessation of business operations	June 29, 2023	Deregistration

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Gaotian Forest Xiuse Real Estate Development Company Limited* (東莞市高田森林秀色房地產開發有限公司)	PRC	Development and operation of real estate	Executive director, manager	Cessation of business operations	June 29, 2023	Deregistration
Henan Jintian Paper Company Limited* (河南金田紙業有限公司)	PRC	Manufacturing of paper; manufacturing and sales of paper products and paper pulp; recycling of renewable resources	Director	Cessation of business operations	May 20, 2024	Deregistration

Mr. Au Yeung confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Mr. Jiang Dacai (姜達才), aged 57, is our non-executive Director. He was appointed as a Director in October 2022 and re-designated as a non-executive Director on November 29, 2024. Mr. Jiang is responsible for providing strategic advice on the development of our Group. Mr. Jiang is also a member of our Audit Committee.

Mr. Jiang has over 29 years of experience in the software technology and communications equipment industry. Mr. Jiang was a lawyer of Judicial Bureau of Yichun City, Jiangxi Province (江西省宜春市司法局) from September 1989 to February 1995. He joined Huawei Technologies Co., Ltd. (華為技術有限公司), a company principally engaged in provision of information and communications technology (ICT) infrastructure and smart devices, in March 1995. In Huawei Technologies Co., Ltd. (華為技術有限公司), Mr. Jiang acted as the financing manager of marketing and sales department from March 1995 to December 2000, the director of sales and financing department of Latin America Region from January 2001 to April 2005, the deputy director of contract and commercial department of global sales department from May 2005 to April 2010, the director of contract and commercial department of global procurement certification department from May 2010 to August 2015, and has been the director of software procurement department of global procurement certification department since September 2016. Mr. Jiang is a director of each of Suzhou Peifeng Tunan Semiconductor Company Limited* (蘇州培風圖南半導體有限公司), which is a service provider of multi-scale and multi-physics simulation software for the semiconductor industry, since February 2023, and Beijing TSD Semiconductor

Company Limited* (北京特思迪半導體設備有限公司), which is principally engaged in R&D, production and sales of ultra-precision processing equipment in the semiconductor industry, since July 2023.

Mr. Jiang graduated from East China University of Political Science and Law (華東政法大學) with a bachelor's degree in law in Shanghai, the PRC in July 1989.

Independent Non-executive Directors

Mr. He Zhengsheng (賀正生), aged 44, is our independent non-executive Director. He was appointed as our independent Director in October 2022 and re-designated as an independent non-executive Director on November 29, 2024. Mr. He is primarily responsible for providing independent advice and judgment to our Board. Mr. He is also the chairman of each of our Remuneration Committee and Nomination Committee, and a member of each of our Audit Committee and Strategic and ESG Committee.

Mr. He has more than 20 years of experience in legal advice and legal consultation. He was a lawyer of Beijing Liwen Law Firm* (北京市李文律師事務所) from July 2002 and has been a partner of Beijing Hengji Law Firm* (北京市衡基律師事務所) since September 2006. From February 2018 to February 2024, Mr. He was an independent director of Shenzhen Guangyunda Optoelectronics Technology Company Limited* (深圳光韻達光電科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300227). Since November 2018, he has been an independent director of Wetown Electric Group Company Limited* (威騰電氣集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange STAR market (stock code: 688226). Since March 2022, Mr. He has been an independent director of Ningbo Kangqiang Electronics Co., Ltd.* (寧波康強電子股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002119).

Mr. He obtained a bachelor's degree in international economic law from the China University of Political Science and Law (中國政法大學) in Beijing, the PRC in July 2002. He is currently a full-time practising lawyer in the PRC.

Ms. Li Min (李旻), aged 54, is our independent non-executive Director. She was appointed as our independent Director in October 2022 and re-designated as an independent non-executive Director on November 29, 2024. Ms. Li is primarily responsible for providing independent advice and judgment to our Board. Ms. Li is also the chairman of our Audit Committee and a member of each of our Remuneration Committee and Nomination Committee.

Ms. Li has more than 27 years of experience in accounting, auditing and tax consultation. Since October 1997, she has been the manager and supervisor of Guangdong Tianjian Accounting Firm Limited* (廣東天健會計師事務所有限公司). Since February 2006, she has been an executive director of Dongguan Zhengliang Taxation Firm Ltd* (東莞市正量稅務師事務所有限公司). Since June 2011, she has been a supervisor of Dongguan Zhengliang Accounting Consulting Company Limited* (東莞市正量會計諮詢有限公司). Ms. Li was a director of Guangdong Certified Tax Agents Association (廣東省註冊稅務師協會) from March 2011 to March 2019 and has been a director of Dongguan Institute of Certified Public Accountants (東莞市註冊會計師協會) since October 2019.

Ms. Li is a Certified Public Accountant of China (中國註冊會計師), Certified Tax Agent of China (中國註冊稅務師), and qualified as a senior accountant (高級會計師) in the PRC. She finished part-time courses and obtained a bachelor's degree in accounting from Wuhan Polytechnic College* (武漢工業學院) in January 2010, in Hubei Province, the PRC.

Ms. Li was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Huiluan Hardware Company Limited* (東莞市匯鑾五金有限公司)	PRC	Sales of small hardware products	Supervisor	Cessation of business operations	February 25, 2013	Revocation
Dongguan Zhuojian Management Consulting Company Limited* (東莞市卓健管理諮詢有限公司)	PRC	Business management consultation	Supervisor	Cessation of business operations	October 9, 2020	Deregistration
Dongguan Zhengliang Training Centre* (東莞市正量培訓中心)	PRC	Training centre	Legal representative	Cessation of business operations	March 22, 2023	Deregistration

Ms. Li confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution or revocation; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution or revocation; (iii) there was no wrongful act, misconduct or misfeasance on her part leading to the dissolution or revocation of the above companies; (iv) she is not aware of any actual or potential claim which has been or will be made against her as a result of the respective deregistration or revocation of the above companies; (v) the dissolution or revocation of the above companies had not resulted in any liability or obligation being imposed against her; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution or revocation.

Mr. Vincent Chin (錢榮澤), aged 54, was appointed as our independent non-executive Director on November 29, 2024. Mr. Chin is primarily responsible for providing independent advice and judgment to our Board.

Mr. Chin is founder of Consultants VC Limited, offering consulting services to corporate clients and the financial industry in Hong Kong.

Mr. Chin graduated at the University of Cambridge with bachelor of arts in June 1994 and master of arts in October 2001, Peking University with master of laws in June 2004, and Shanghai Jiao Tong University with China MBA in January 2018. Mr. Chin practised in Hong Kong as a barrister from September 2000 to August 2009 and as a solicitor from September 2009 to June 2022. He has taught law courses at the City University of Hong Kong, the University of Hong Kong, the Hong Kong Polytechnic University, and the Hong Kong University of Science and Technology.

The Hong Kong Government has appointed Mr. Chin to public positions in the Securities and Futures Appeals Tribunal from April 2011 to April 2019 and Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants from January 2015 to February 2022.

Mr. Chin has been a certified management accountant of the Institute of Certified Management Accountants of Australia since January 2020 and a member of the Institute of Public Accountants of Australia since March 2020. Mr. Chin presently serves as honorary legal advisor of the Hong Kong Securities and Futures Professional Association and an executive committee member of the New Zealand Chamber of Commerce in Hong Kong.

SUPERVISORS

The table below sets out certain information of our Supervisors:

Name	Age	Date of joining the Group	Date of Appointment as Supervisor	Position	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Zhuang Shuguang (莊樹廣)	70	June 5, 2021	October 26, 2022	Chairman of our Supervisory Committee, shareholder representative Supervisor	Responsible for supervising our Board and senior management	Nil
Mr. Yuan Yi (袁毅)	67	June 5, 2021	October 26, 2022	Shareholder representative Supervisor	Responsible for supervising our Board and senior management	Nil
Ms. Yin Xuefang (尹雪芳)	49	August 1, 2022	October 26, 2022	Employee representative Supervisor	Responsible for supervising our Board and senior management	Nil

Mr. Zhuang Shuguang (莊樹廣), aged 70, is the chairman of our Supervisory Committee and a shareholder representative Supervisor. He joined our Group as a Director in June 2021, and was re-appointed as a Supervisor and the chairman of our Supervisory Committee in October 2022. He is mainly responsible for supervising our Board and senior management.

Mr. Zhuang has extensive experience in business management. The following table summarises Mr. Zhuang's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Gaotian Property Management Company Limited* (東莞市高田物業管理有限公司)	Property management, parking lot operation and management, real estate agency services, property lease	Supervisor	Supervising the financial and business operations	Since October 1998
Dongguan Jintian Real Estate Company Limited* (東莞市金田置業有限公司)	Real estate agency and sales	Supervisor	Supervising the financial and business operations	Since July 2006
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Supervisor	Supervising the financial and business operations	Since September 2008

Mr. Zhuang was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Qitai Real Estate Company Limited* (東莞市啟泰置業有限公司)	PRC	Property investment and leasing	Executive director and manager	Cessation of business operations	December 31, 2008	Deregistration
Dongguan Wanjiang Sunshine Coast Tea Culture Company Limited* (東莞市萬江陽光海岸茶文化有限公司)	PRC	Tea culture information exchange and consultation, sales of tea	Executive director and manager	Cessation of business operations	November 15, 2010	Deregistration
Dongguan Yinhai Investment Company Limited* (東莞市銀海投資有限公司)	PRC	Industrial investment, property leasing, enterprise management consultation	Executive director and manager	Cessation of business operations	February 4, 2015	Deregistration

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Wanjiang Sunshine Industrial Investment Company Limited* (東莞市萬江陽光實業投資有限公司)	PRC	Industrial investment, real property leasing, property management	Supervisor	Cessation of business operations	November 20, 2019	Deregistration
Dongguan Gaoshun Real Estate Agency Service Company Limited* (東莞市高順房地產中介服務有限公司)	PRC	Real estate agency services	Executive director and manager	Cessation of business operations	July 14, 2021	Deregistration
Dongguan Gaotian Urban Renewal Development Company Limited* (東莞市高田城市更新發展有限公司)	PRC	Urban renewal project investment and planning; urban renewal project consultation; real estate development	Supervisor	Cessation of business operations	August 21, 2023	Deregistration
Dongguan Juwei Real Estate Company Limited* (東莞市聚煒置業有限公司)	PRC	Real estate agency services; property leasing; property management	Executive director and manager	Cessation of business operations	September 4, 2023	Deregistration
Dongguan Gaohao Trading Company Limited* (東莞市高浩貿易有限公司)	PRC	Sales of paper products; sales of pulping and papermaking equipment; sales of packaging materials and products; sales of daily necessities	Director and manager	Cessation of business operations	March 5, 2025	Deregistration

Mr. Zhuang confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Mr. Yuan Yi (袁毅), aged 67, is a shareholder representative Supervisor of our Company. He joined our Group as a Director in June 2021, and was re-appointed as a Supervisor in October 2022. He is mainly responsible for supervising our Board and senior management.

Mr. Yuan has extensive experience in business management. The following table summarises Mr. Yuan's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Riverside Garden Commercial Residential Community Construction Company Limited* (東莞江濱花園商品住宅小區建造有限公司)	Construction of commercial residential community	Director and deputy general manager	Strategic planning, investment decision-making and overall management	Since October 1996
Dongguan Gaotian Property Management Company Limited* (東莞市高田物業管理有限公司)	Property management, parking lot operation and management, real estate agency services, property lease	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since October 1998
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Deputy general manager	Overall management	June 1999 to September 2008
Dongguan Jintian Paper Company Limited* (東莞市金田紙業有限公司)	Production and sales of paper products	General manager	Overall management	Since August 2003
Dongguan Jintian Property Management Co., Ltd* (東莞市金田置業有限公司)	Real estate agency and sales	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since July 2006
Guangdong Zhuoruiyuan Jingmi Manufacturing Company Limited* (廣東卓瑞源精密製造有限公司)	Manufacturing of instruments and meters, intelligent vehicle equipment, electronic components and other general instruments	General Manager	Overall management	Since August 2019

Mr. Yuan was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Yazhi Decoration Engineering Company Limited* (東莞市雅緻裝飾工程有限公司)	PRC	Interior decoration and building and renovation material sales	Executive director and manager	Cessation of business operations	July 16, 2009	Deregistration
Dongguan Gaoshun Real Estate Agency Service Company Limited* (東莞市高順房地產中介服務有限公司)	PRC	Real estate agency services	Supervisor	Cessation of business operations	July 14, 2021	Deregistration
Japan Jintian Daily Necessities Company Limited* (日本金田生活用品株式會社)	Japan	Trading	Director	Cessation of business operations	December 9, 2022	Deregistration
Hebei Jintian New Materials Company Limited* (河北金田新材料有限公司)	PRC	Technology development, technology transfer and technology services of new packaging material; manufacturing and sales of new packaging materials; manufacturing and sales of machine-finished paper; sales of machinery and equipment; solid waste management	Supervisor	Cessation of business operations	June 29, 2023	Deregistration
Henan Jintian Paper Company Limited* (河南金田紙業有限公司)	PRC	Manufacturing of paper; manufacturing and sales of paper products and paper pulp; recycling of renewable resources	Vice chairman	Cessation of business operations	May 20, 2024	Deregistration
Dongguan Gaohao Trading Company Limited* (東莞市高浩貿易有限公司)	PRC	Sales of paper products; sales of pulping and papermaking equipment; sales of packaging materials and products; sales of daily necessities	Supervisor	Cessation of business operations	March 5, 2025	Deregistration

Mr. Yuan confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Ms. Yin Xuefang (尹雪芳), aged 49, is an employee representative Supervisor of our Company. She joined our Group as a director of internal audit department of our Company in August 2022, and was re-appointed as a Supervisor in October 2022. She is mainly responsible for supervising our Board and senior management.

Ms. Yin has extensive experience in accounting and auditing. She worked as the accountant in Dongguan Weiya Optoelectronics Company Limited* (東莞市威雅光電有限公司) in 2006 and 2007. Prior to joining our Company, Ms. Yin worked in Jiangsu Hengtong Optic-electronic Technology Company Limited* (江蘇亨通光電科技有限公司), a company principally engaged in manufacture of optical communications and power transmission products, responsible for financial management from May 2019. Ms. Yin obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei, the PRC in July 2015. Ms. Yin has obtained the intermediate audit professional qualification (中級審計專業技術資格), and has been qualified as a senior accountant (高級會計師) in the PRC.

GENERAL

Save as disclosed above and in "Relationship with Controlling Shareholders", "Substantial Shareholders" and "Statutory and General Information — D. Disclosure of Interests" in Appendix VII to this prospectus, each of our Directors and Supervisors confirms with respect to him/her that:

(i) does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date;

(iii) had no other relationship with any Directors, Supervisors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;

(iv) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas;

(v) does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules;

(vi) to the best knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters concerning our Director's and Supervisors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date; and

(vii) to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules in November 2024; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his or her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he or she had no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at 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.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Age	Date of joining the Group	Date of Appointment as senior management	Position	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Li Xiguang (李錫光)	58	January 7, 2009	January 7, 2009	Chairman, executive Director and general manager	Responsible for the overall strategic planning, business direction and management of our Group	Uncle of Mr. Li Zhuoxing
Mr. Peng Guanghui (彭光輝)	55	March 23, 2015	March 23, 2015	Chief financial officer	Responsible for the overall financial operation of our Group	Nil
Ms. Li Yongmei (李詠梅)	46	April 2021	November 1, 2021	Deputy general manager	Responsible for overseeing the supply chain and sales of our Group	Nil
Mr. Han Jingrui (韓景瑞)	37	April 1, 2011	May 2018	Deputy general manager and the head of R&D department	Responsible for overseeing the research and development of our Group	Nil
Mr. Li Zhuoxing (李焯星)	27	September 22, 2021	December 12, 2022	Board secretary and joint company secretary	Responsible for overseeing the securities affairs and investments of our Group	Nephew of Mr. Li Xiguang

Mr. Li Xiguang (李錫光), is the Chairman, an executive Director and general manager of our Company. For details, please refer to "Directors — Executive Directors".

Mr. Peng Guanghui (彭光輝), aged 55, is chief financial officer of our Company. He joined our Group in March 2015 and has served as chief operational officer and chief financial officer of our Company from March 2015 to June 2019 and remains as chief financial officer of our Company since July 2019. He is primarily responsible for the overall financial operation of our Group.

Mr. Peng has extensive experience in accounting and financial management. Prior to joining our Company, he worked as the financial manager in Nokia Telecommunications Ltd. Dongguan Branch (諾基亞通信有限公司東莞分公司) from January 2005. Mr. Peng is qualified as a certified tax agent and an intermediate accountant in the PRC. Mr. Peng graduated with major in English from Guangdong University of Foreign Studies (廣東外語外貿大學) in Guangdong, the PRC in January 2010.

Ms. Li Yongmei (李詠梅), aged 46, is deputy general manager of our Company. She joined our Group in April 2021 and served as general manager of supply chain department of Southern Semiconductor from April 2021 to October 2021 and as the deputy manager of sales department of our Company from November 2021 to October 2022. Ms. Li has been promoted as deputy general manager of our Company since October 2022. She is primarily responsible for overseeing the supply chain and sales of our Group.

Ms. Li has extensive experience in sales and supply chain management. From February 2006 to August 2009, she worked as the deputy general manager at Nanjing Jacoll Intelligent Technology Co., Ltd of Ningshun Group* (寧順集團南京嘉科智能技術有限公司), mainly responsible for sales and marketing. From December 2009 to April 2021, she was the legal representative, executive director and manager of Dongguan Hongying Semiconductor Co., Ltd* (東莞宏盈半導體有限公司), which was principally engaged in sale of electronic components.

Ms. Li finished part-time courses and obtained her bachelor's degree in business administration from Jiangsu University* (江蘇大學) in Jiangsu Province, the PRC in July 2022. Ms. Li obtained her bachelor diploma's degree in business administration via online learning from Beijing Foreign Studies University* (北京外國語大學) in January 2019.

Mr. Han Jingrui (韓景瑞), aged 37, is deputy general manager and the head of R&D department of our Company. Mr. Han was promoted as deputy director of R&D department of our Company in May 2018 and further promoted as deputy general manager and director of R&D department of our Company since October 2022. Mr. Han has been engaged in the R&D of silicon carbide epitaxial wafers in our Group. He is primarily responsible for overseeing the R&D of our Group.

Mr. Han has over 13 years of experience in R&D of SiC epitaxial technology. He led the R&D of a number of key industrial technology achievements, such as optimal control of Pits defects in multi-layer thick epitaxial materials, optimisation of epitaxial material layer error defects, improvement of minority carrier lifetime in thick epitaxial materials, and improvement of particle defects on 6-inch epitaxial surface. He published three academic papers, participated in eight science and technology projects in national, provincial and municipal levels, applied for 20 patents and 18 utility model patents, and participated in the formulation of one national standard. He was awarded the first prize of the Science and Technology Award of Guangdong High-tech Enterprises Association in 2022 (ranked 2nd), the second prize of the Dongguan Innovation Science and Technology Progress Award in 2022 (ranked 2nd), the first prize of the Guangdong Provincial Science and Technology Award for Electronic Information in 2023 (ranked 2nd) and other awards.

Mr. Han obtained his bachelor's degree in electronic science and technology from the School of Physics of Guangdong University of Technology* (廣東工業大學物理學院) in Guangdong, the PRC in September 2010.

Mr. Li Zhuoxing (李焯星), aged 27, is our Board secretary and a joint company secretary. He joined our Group in September 2021 and served as specialist of securities affairs of our Company and has been appointed as the Board secretary of our Company since December 2022. He is primarily responsible for overseeing the securities affairs and investments of our Group.

Mr. Li Zhuoxing obtained his bachelor's degree in commerce from The Australian National University in July 2021.

JOINT COMPANY SECRETARIES

Mr. Li Zhuoxing (李焯星) was appointed as a joint company secretary of our Company on November 28, 2024. Mr. Li Zhuoxing is also the Board secretary and a member of senior management of our Company. For details, see "— Board of Directors — Senior Management" in this section.

Mr. Chan Pak Lun (陳柏麟) was appointed as a joint company secretary of our Company on November 12, 2024. Mr. Chan is currently a partner at the law firm of DeHeng Law Offices (Hong Kong) LLP in Hong Kong, specializing in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Mr. Chan is a practising solicitor in the field of commercial and corporate finance and was admitted as a solicitor in Hong Kong in December 2018. He completed the Bachelor of Laws degree programme at The University of Hong Kong in December 2015. Mr. Chan is also serving as the company secretary of Plateau Treasures Limited (stock code: 8402) and Glory Flame Holdings Limited (stock code: 8059), whose shares are listed on the GEM Board of the Stock Exchange, and has served as the company secretary of Kidztech Holdings Limited (stock code: 6918), whose shares are listed on the Main Board of the Stock Exchange, from February 2023 to February 2025.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic and ESG Committee.

Audit Committee

Our Audit Committee consists of Ms. Li Min, Mr. He Zhengsheng and Mr. Jiang Dacai. Ms. Li Min is the chairman of the Audit Committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our Audit Committee are to make recommendations to our Board on the appointment, reappointment and removal of external auditors; to review the financial statements and material advice in respect of financial reporting; and to oversee internal control procedures of our Company.

Remuneration Committee

Our Remuneration Committee consists of Mr. He Zhengsheng, Mr. Au Yeung Chung and Ms. Li Min. Mr. He Zhengsheng is the chairman of our Remuneration Committee. The primary duties of our Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group; to review performance-based remuneration; and to ensure none of our Directors is involved in deciding his/her own remuneration.

Nomination Committee

Our Nomination Committee consists of Mr. He Zhengsheng, Mr. Li Xiguang and Ms. Li Min. Mr. He Zhengsheng is the chairman of our Nomination Committee. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board and our board diversity policy on a regular basis; to identify individuals suitably qualified to become Board members; to assess the independence of our independent non-executive Directors; and to make recommendations to our Board on relevant matters relating to the appointment or reappointment of our Directors.

Strategic and ESG Committee

Our Strategic and ESG Committee consists of Mr. Li Xiguang, Mr. Au Yeung Chung and Mr. He Zhengsheng. Mr. Li Xiguang is the chairman of our Strategic and ESG Committee. The primary duties of our Strategic and ESG Committee are to research and recommend to our Board the long-term development and strategic plans of our Company; to research and recommend to our Board matters that are material to the development and ESG matters of our Company; to check the implementation of the aforementioned matters that are approved via Board meetings or Shareholders' meetings; and to deal with other strategic matters that are authorised by our Board.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills. They completed studies in various majors including but without limitation to business management, accounting, finance and legal studies. The ages of our Directors range from 43 years old to 61 years old, and we have both male and female representatives on the Board. Our Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Group will take opportunities to increase the proportion of female members of our Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. Our Group also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to our Board.

COMPLIANCE ADVISER

We have appointed Caitong International Capital Company Limited as our compliance adviser upon the Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us when we consult our compliance adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;

(iii) where our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Group considers that appointing Mr. Li as both the Chairman and the general manager of our Company will provide us with strong and consistent leadership, resulting in more effective planning and management of our Group. Pursuant to C.2.1 of Appendix C1 to the Listing Rules, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Li's extensive industry experience, personal profile and critical role in our Group's historical development, we believe that it would be beneficial for our Group's business prospects if Mr. Li continues to act as both the Chairman and the general manager of our Company upon Listing. The balance of power and authority is ensured by the operation of our Board and our senior management, each of which comprises experienced and diverse individuals. Our Board currently comprises one executive Director, two non-executive Directors and three independent non-executive Directors. Therefore, our Board possesses a strong independence element in its composition.

Save as disclosed above, we are in compliance with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules.

COMPENSATION OF DIRECTORS, SUPERVISORS AND MANAGEMENT

Our Company offers executive Directors, Supervisors and members of our senior management, who are also employees of our Company, emolument in the form of salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or the chairperson of the Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amounts of remuneration (including fees, salaries, allowances and other benefits, discretionary bonus and contributions to defined contribution plans) for our Directors and Supervisors was approximately RMB2.4 million, RMB6.6 million, RMB4.8 million and RMB2.3 million for the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025 respectively. None of our Directors waived any remuneration during the aforesaid periods. Under the arrangement currently in force, the aggregate remuneration payable to the Directors and Supervisors by our Company for the year ending December 31, 2025 is estimated to be approximately RMB7.0 million.

For the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025 respectively, the five highest paid individuals of our Company included one, one, one and one Director respectively. The aggregate remuneration (including salaries, allowances and other benefits and contributions to defined contribution plans) paid to our Group's five highest remuneration individuals were approximately RMB9.6 million, RMB13.8 million, RMB14.9 million and RMB7.0 million, respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

We set out below (i) a transaction with a connected person, which will constitute a continuing connected transaction of our Group under Chapter 14A of the Listing Rules upon Listing; and (ii) our Group's one-off transaction with a connected person on agreed terms before the Listing.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Employment contract

Mr. Li Zhuoxing entered into a written employment contract with our Company on September 22, 2021, which has been renewed on September 21, 2024 (the "**Employment Contract**") for a term of five years ending on September 21, 2029. Mr. Li Zhuoxing joined our Company as specialist of securities affairs and was subsequently appointed as the Board secretary. We expect Mr. Li Zhuoxing shall continue to be employed by our Company at the same position and a joint company secretary following the Listing. Pursuant to the employee handbook of the Company, the term of the first employment contract is three years, and for the second employment contract is five years, for retaining experienced personnel for an extended period and maintaining effective corporate governance. Mr. Li Zhuoxing has joined our Company since September 2021 and is familiar with the operation and management of our Group. Given the critical role of a Board secretary in facilitating communication between the Board and management, as well as ensuring compliance with regulatory requirements, a longer contract term with Mr. Li Zhuoxing can ensure stability and effectiveness in corporate governance. The Company confirms, that it is normal business practice for the duration of at least five years for similar job positions and is in line with the employment market, and the Sole Sponsor concurs with the Company.

The remuneration (including basic salary, bonus, social insurance contributions and other benefits) paid to Mr. Li Zhuoxing for the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025 amounted to approximately RMB196,600, RMB993,600, RMB857,500 and RMB345,000, respectively. Mr. Li Zhuoxing joined our Group as specialist of securities affairs in September 2021. With his familiarity of the operation of our Group over the year and enhanced skills and experience, he has been promoted as the Board secretary in December 2022. In order to commensurate his increased responsibilities and accountability for our Group, including (among others) his participation in the preparation for the application for listing of our Company, and the greater importance of his role within our Group, the remuneration package of Mr. Li Zhuoxing has been increased significantly. Such increment reflected our Company's recognition of his contributions and value to our Group. Our Company confirmed that the remuneration package of Mr. Li Zhuoxing aligns with prevailing market rates with similar roles in the market, which is essential for retaining competent staff in our Group. Our Directors estimate that the annual remuneration (including basic salary, bonus, social insurance contributions and other benefits) payable to Mr. Li Zhuoxing shall not exceed RMB1.0 million for each of the three years ending December 31, 2025, 2026 and 2027, respectively, as determined with reference to the contractual amounts payable to Mr. Li Zhuoxing under the Employment Contract and subsequent adjustments made thereafter.

Our Directors consider that the entering of the Employment Contract is in our ordinary and usual course of business and in the interests of our Group and our Shareholders as a whole, and the terms therein are entered into based on normal commercial terms, fair and reasonable. The remuneration payable to Mr. Li Zhuoxing commensurates with his experience, position and performance and is consistent with the prevailing market rates for similar job positions.

Listing Rules Implications

Mr. Li Zhuoxing is the nephew of Mr. Li, who is our Controlling Shareholder, Chairman and executive Director. Hence, Mr. Li Zhuoxing is a connected person of our Company. As such, the remunerations contemplated under the Employment Contract constitute continuing connected transactions of our Company. Each of the relevant percentage ratios on annual basis calculated for the purpose of Chapter 14A of the Listing Rules and as our Directors currently expect, will not exceed 5% and the annual consideration will not exceed HK$3.0 million. As such, the remunerations contemplated under the Employment Contract constitute de minimis transactions fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Should such annual remuneration amount exceed the relevant threshold, our Company shall comply with the Listing Rules, where applicable.

ONE-OFF CONNECTED TRANSACTION

Property Lease Agreements

Our Company and Dongguan Yuebao entered into an individual lease agreement on June 30, 2020 (the "**Zone A Property Lease Agreement**"), pursuant to which our Company leased a premise (the "**Zone A Property**") from Dongguan Yuebao as production premise and office building for a fixed period from July 1, 2020 to June 30, 2030. The Zone A Property is located at zone A of No. 5 Industrial North First Road, Songshan Lake, Dongguan, Guangdong Province, the PRC and has a construction area of 7,483.70 sq.m.. The monthly rent is RMB187,092.50. The Zone A Property Lease Agreement may be renewed upon request to be made by our Company two months before the expiration of the lease term. Under the same conditions, our Company has the priority right than other lessee to rent the Zone A Property. The renewal shall be subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

Our Company and Dongguan Yuebao entered into an individual lease agreement on July 7, 2023 (the "**Zone B Property Lease Agreement**", together with Zone A Property Lease Agreement, the "**Property Lease Agreements**"), pursuant to which our Company leased a premise (the "**Zone B Property**") from Dongguan Yuebao as production premise and office building for a fixed period from May 1, 2023 to June 30, 2027. The Zone B Property is located at zone B of No. 5 Industrial North First Road, Songshan Lake, Dongguan, Guangdong Province, the PRC and has a construction area of 16,464.16 sq.m.. The monthly rent is RMB526,853.12. The Zone B Property Lease Agreement may be renewed upon request to be made by our Company two months before the expiration of the lease term. Under the same conditions, our Company has the priority right than other lessee to rent the Zone B Property. The renewal shall be subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

The Property Lease Agreements were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area, and the location, quality and size of the properties.

The value of the right-of-use assets from leasing which includes the present value of the lease payments recognised by our Company with respect to the Zone A Property Lease Agreement and the Zone B Property Lease Agreement according to IFRS 16 as at December 31, 2022, 2023 and 2024 and May 31, 2025 amounted to approximately RMB96.6 million, RMB205.4 million, RMB195.9 million and RMB191.7 million, respectively.

Reasons for and Benefits of the Transaction

We have been leasing premises from Dongguan Yuebao for operation since 2009 and using Zone A Property and Zone B Property as the production premises for manufacturing our products and as our office buildings during the Track Record Period. To avoid unnecessary interruption of the administration and extra relocation cost of manufacturing and office facilities, the continuation of such leases is cost-efficient and is beneficial to our operations.

In light of the above, our Directors are of the view that such arrangement is fair and reasonable and in the best interest of our Group and our Shareholders as a whole. Our Directors are also of the view that the connected transaction under the Property Lease Agreements do not affect our operational independence. For more details, please see "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence."

Listing Rules Implications

Dongguan Yuebao is owned as to 50% by Mr. Li, our Controlling Shareholder, chairman of our Board and executive Director, and 50% by Mr. Au Yeung, our Controlling Shareholder and non-executive Director, respectively. Dongguan Yuebao is an associate of Mr. Li and Mr. Au Yeung and therefore a connected person of our Company. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Property Lease Agreements constitute a connected transaction of the Company.

In accordance with IFRS 16 "Leases", our Group recognised right-of-use assets on its balance sheet in connection with the lease of the property from Dongguan Yuebao. Therefore, the lease is regarded as an acquisition of a capital asset and a one-off connected transaction of our Company for the purposes of the Listing Rules. Our Group has recognised right-of-use assets under the Property Lease Agreements on its balance sheet. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was controlled by (i) Mr. Li as to approximately 29.05% in his personal capacity directly, and through Dinghong Investment as to approximately 5.58%, Runsheng Investment as to approximately 3.19%, and Wanghe Investment as to approximately 2.33%, indirectly; and (ii) Mr. Au Yeung as to approximately 18.21% in his personal capacity directly.

Dinghong Investment, Runsheng Investment and Wanghe Investment are limited partnerships established in the PRC and ESOP Platforms of our Group. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su, the spouse of Mr. Li.

Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that, subject to applicable laws and regulations, the Articles of Association and without prejudice to interests of our Company, Shareholders and creditors of our Company and except for the situations where they shall abstain from voting in relevant connected transactions, they shall act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li.

As such, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders, who collectively held approximately 58.36% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will collectively hold approximately 53.8954% of our total issued Shares. Accordingly, Mr. Li, Mr. Au Yeung, Ms. Su, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will remain as a group of Controlling Shareholders upon Listing.

Mr. Li is the Chairman, an executive Director and general manager of our Company. Mr. Au Yeung is our non-executive Director. For biographical details of Mr. Li and Mr. Au Yeung, please refer to the section headed "Directors, Supervisors and Senior Management — Directors" in this prospectus. Dinghong Investment, Runsheng Investment and Wanghe Investment serve as the employee shareholding platforms of our Group. For further details, please refer to the section headed "History, Development and Corporate Structure — Our ESOP Platforms" in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after Listing.

Management Independence

Our Board comprises one executive Director, two non-executive Directors and three independent non-executive Directors. Our senior management is responsible for the day-to-day management of our business. For details, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

(a) our daily management and operation are carried out by our senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to operate our business in the best interest of our Group;

(b) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(c) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, such Director(s) shall fully disclose such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed "Corporate Governance Measures" in this section;

(d) three out of six Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the Listing Rules, who will bring independent judgment to the decision-making process of our Board;

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For further details, please refer to "— Corporate Governance Measures" in this section; and

(f) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational Independence

Our Company is capable of making our own operational decisions and carrying out our own business operations independently.

We have established our own organisational structure consisting of individual departments, namely the R&D department, manufacturing department, sales and marketing department and financial department. Each department is assigned specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, we have obtained and possess all relevant licenses, permits, approvals and intellectual properties required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers.

Our Company and Dongguan Yuebao entered into (i) a lease agreement on June 30, 2020 (the "**Zone A Property Lease Agreement**"), pursuant to which our Company leased a premises with a construction area of 7,483.70 sq.m. from Dongguan Yuebao as production premises and office buildings for a fixed period from July 1, 2020 to June 30, 2030; and (ii) a lease agreement on July 7, 2023 (the "**Zone B Property Lease Agreement**", together with Zone A Property Lease Agreement, collectively, the "**Property Lease Agreements**"), pursuant to which our Company leased a premises with a construction area of 16,464.16 sq.m. from Dongguan Yuebao as production premises and office buildings for a fixed period from May 1, 2023 to June 30, 2027. Dongguan Yuebao is owned as to 50% by Mr. Li and 50% by Mr. Au Yeung. Please refer to "Connected Transactions — One-off Connected Transaction" for further detail.

Given that (i) the terms of the Property Lease Agreements have been determined on an arm's length basis and on normal commercial terms or better, (ii) the risk of Dongguan Yuebao terminating the Property Lease Agreements is remote as the termination would not be in the commercial interest for both parties in commercial aspect, and (iii) it is not difficult for us to find suitable alternative production premises and office buildings in Dongguan with comparable size and cost if relocation is required in view of our light production line, our Directors believe that leasing properties from Dongguan Yuebao would not cast doubts on our operational independence.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon Listing.

Financial Independence

Our financial department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

During the Track Record Period, our Controlling Shareholders and their respective close associates have provided guarantees to certain banks and financial institutions in order to secure certain bank loans and facilities for our Group. For details of these guarantees, please see note 32(e) to the Accountants' Report set out in Appendix I in this prospectus. It is expected that all guarantees or other securities provided by our Controlling Shareholders and their respective close associates for our borrowings will be fully released and/or replaced by corporate guarantee provided by our Company upon Listing. Save for the foregoing, as of the Latest Practicable Date, we had no outstanding loans and advances due to or from our Controlling Shareholders or their associates and had not provided any outstanding securities, loans or any other forms of financial assistance to our Controlling Shareholders or their associates.

Based on the above, our Directors consider that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates upon Listing.

RULE 8.10 OF THE LISTING RULES

Shenzhen Tianyu and Guangdong Tianze

Shenzhen Tianyu Hongtu Technology Company Limited* (深圳市天域鴻圖科技有限公司) ("**Shenzhen Tianyu**"), a limited liability company established in the PRC in January 2019 and deregistered in August 2021, was owned as to 42.86% by Mr. Li and 57.14% by Mr. Au Yeung. Mr. Li acted as legal representative and general manager and Mr. Au Yeung acted as executive director during its existence. Shenzhen Tianyu was proposed to be principally engaged in production and sale of substrates in the upstream industry for the business of our Group, which were not conducted. It was deregistered in August 2021 upon commercial decision of the management due to no actual business commenced.

Guangdong Tianze Hengyi Technology Company Limited* (廣東天澤恒益科技有限公司) ("**Guangdong Tianze**"), a limited liability company established in the PRC in February 2018, is owned as to 70% by Mr. Li and 30% by Mr. Au Yeung. Mr. Li acts as legal representative and executive director and Mr. Au Yeung acts as supervisor in Guangdong Tianze. Guangdong Tianze was proposed to be principally engaged in production and sale of SiC devices in the downstream industry for the business of our Group, which were not conducted. As at the Latest Practicable Date, Guandong Tianze does not have actual business. The management of Guangdong Tianze currently has no intention to deregister

Guangdong Tianze, to allow for the flexibility to have future business operation based on its commercial decision, which will not compete or is likely to compete, directly or indirectly, with the business of our Group.

As confirmed by the Company, (i) Shenzhen Tianyu and Guangdong Tianze had not been the subjects of any material non-compliant incidents, claims, litigations, legal proceedings or investigations; (ii) neither Shenzhen Tianyu nor Guangdong Tianze's operations were integrated with that of our Group and their financial information was not incorporated in that of our Group; and (iii) there was no sharing of resources between our Group and Shenzhen Tianyu or Guangdong Tianze, because neither Shenzhen Tianyu nor Guangdong Tianze has ever conducted actual business.

Given that (i) Shenzhen Tianyu has been deregistered, (ii) Guangdong Tianze does not have actual business, and (iii) in any event, the proposed businesses of both of Shenzhen Tianyu and Guangdong Tianze were not competing, directly or indirectly, with our Group's business, neither Mr. Li nor Mr. Au Yeung has interest in a business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

Peifeng Tunan and Beijing TSD

Although Mr. Jiang Dacai, our non-executive Director, is also a director of each of Suzhou Peifeng Tunan Semiconductor Company Limited* (蘇州培風圖南半導體有限公司) ("**Peifeng Tunan**"), which is a service provider of multi-scale and multi-physics simulation software for the semiconductor industry, and Beijing TSD Semiconductor Company Limited* (北京特思迪半導體設備有限公司) ("**Beijing TSD**"), which is principally engaged in R&D, production and sales of ultra-precision processing equipment in the semiconductor industry, given that (i) the businesses of both of these companies are not competing, directly or indirectly, with our Group's business, on the basis that Peifeng Tunan specialises in software development rather than manufacturing and Beijing TSD focuses on equipment manufacturing rather than SiC epitaxial wafers manufacturing, and (ii) Mr. Jiang Dacai has no equity interest in Peifeng Tunan and Beijing TSD, Mr. Jiang has no interest in a business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

In addition, our Controlling Shareholders, our Directors and their respective close associates confirm that, as at the Latest Practicable Date, they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We recognise the importance of good corporate governance in the protection of our Shareholders' interests. We will safeguard good corporate governance standards and avoid potential conflict of interests between our Group and our Controlling Shareholders with the following measures:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;

(b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules upon Listing;

(c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. We have also appointed three Supervisors in accordance with the relevant PRC laws and regulations to supervise the performance of the duties by our Board. For details of our independent non-executive Directors and Supervisors, please refer to the paragraphs headed "Directors, Supervisors and Senior Management" in this prospectus;

(d) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

(e) 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;

(f) we have appointed Caitong International Capital Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal controls; and

(g) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

So far as our Directors are aware, immediately following the completion of the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

			Shares held as at the Latest Practicable Date and immediately prior to the Global Offering(1)		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)(1)		
Name of Shareholder	Nature of Interest	Description of Shares	Number	Approximate percentage of interest in our Company	Number	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)(2)	Approximate percentage of interest in our Company
Mr. Li	Beneficial Interest	Unlisted Shares	105,517,013 (L)	29.0522%	105,517,013 (L)	31.5656%	26.8308%
		H Shares	Nil	—	Nil	—	—
	Interest in controlled corporation(3)	Unlisted Shares	40,310,259 (L)	11.0987%	40,310,259 (L)	12.0589%	10.2501%
		H Shares	Nil	—	Nil	—	—
	Interest of concert parties(4)	Unlisted Shares	66,126,373 (L)	18.2067%	66,126,373 (L)	19.7818%	16.8146%
		H Shares	Nil	—	Nil	—	—
Ms. Su	Interest of spouse(5)	Unlisted Shares	211,953,645 (L)	58.3576%	211,953,645 (L)	63.4064%	53.8954%
		H Shares	Nil	—	Nil	—	—
Mr. Au Yeung	Beneficial Interest	Unlisted Shares	66,126,373 (L)	18.2067%	66,126,373 (L)	19.7818%	16.8146%
		H Shares	Nil	—	Nil	—	—
	Interest of concert parties(4)	Unlisted Shares	145,827,272 (L)	40.1509%	145,827,272 (L)	43.6245%	37.0808%
		H Shares	Nil	—	Nil	—	—
Ms. Tong Lai Kwan (唐麗君女士)	Interest of spouse(6)	Unlisted Shares	211,953,645 (L)	58.3576%	211,953,645 (L)	63.4064%	53.8954%
		H Shares	Nil	—	Nil	—	—
Tianyu Gongchuang	Interest in controlled corporation(3)	Unlisted Shares	40,310,259 (L)	11.0987%	40,310,259 (L)	12.0589%	10.2501%
		H Shares	Nil	—	Nil	—	—
Mr. Lee Yuk Ming	Beneficial Interest	Unlisted Shares	32,349,321 (L)	8.9068%	22,349,321 (L)	6.6858%	5.6830%
		H Shares	Nil	—	10,000,000 (L)	16.9519%	2.5428%
Ms. Cheung Wai Ling (張惠玲女士)	Interest of spouse(7)	Unlisted Shares	32,349,321 (L)	8.9068%	22,349,321 (L)	6.6858%	5.6830%
		H Shares	Nil	—	10,000,000 (L)	16.9519%	2.5428%
Mr. Zhuang Shuguang	Beneficial Interest	Unlisted Shares	28,139,493 (L)	7.7477%	28,139,493 (L)	8.4180%	7.1553%
		H Shares	Nil	—	Nil	—	—
Ms. Zhang Rihuan (張日歡女士)	Interest of spouse(8)	Unlisted Shares	28,139,493 (L)	7.7477%	28,139,493 (L)	8.4180%	7.1553%
		H Shares	Nil	—	Nil	—	—
Habo Technology	Beneficial Interest(9)	Unlisted Shares	23,852,303 (L)	6.5673%	19,852,303 (L)	5.9389%	5.0480%
		H Shares	Nil	—	4,000,000 (L)	6.7808%	1.0171%
Habo Venture Capital	Interest in controlled corporation(9)	Unlisted Shares	23,852,303 (L)	6.5673%	19,852,303 (L)	5.9389%	5.0480%
		H Shares	Nil	—	4,000,000 (L)	6.7808%	1.0171%
Huawei Investment	Interest in controlled corporation(9)	Unlisted Shares	23,852,303 (L)	6.5673%	19,852,303 (L)	5.9389%	5.0480%
		H Shares	Nil	—	4,000,000 (L)	6.7808%	1.0171%
Huawei Investment Trade Union Committee	Interest in controlled corporation(9)	Unlisted Shares	23,852,303 (L)	6.5673%	19,852,303 (L)	5.9389%	5.0480%
		H Shares	Nil	—	4,000,000 (L)	6.7808%	1.0171%
Huawei Technologies	Interest in controlled corporation(9)	Unlisted Shares	23,852,303 (L)	6.5673%	19,852,303 (L)	5.9389%	5.0480%
		H Shares	Nil	—	4,000,000 (L)	6.7808%	1.0171%
Dinghong Investment	Beneficial Interest(3)	Unlisted Shares	20,274,440 (L)	5.5822%	20,274,440 (L)	6.0651%	5.1554%
		H Shares	Nil	—	Nil	—	—

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. The calculation is based on the total number of 334,278,085 Unlisted Shares and 58,990,426 H Shares in issue upon Listing comprising (i) an aggregate of 28,919,926 H Shares to be converted from the Unlisted Shares and (ii) 30,070,500 H Shares to be issued pursuant to the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

3. As at the Latest Practicable Date, each of Dinghong Investment, Runsheng Investment and Wanghe Investment was interested in 20,274,440 Unlisted Shares, 11,585,291 Unlisted Shares and 8,450,528 Unlisted Shares, respectively.

   Each of Dinghong Investment, Runsheng Investment and Wanghe Investment, as ESOP Platforms, is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su, the spouse of Mr. Li.

   The limited partner of each of Dinghong Investment, Runsheng Investment and Wanghe Investment who contributed more than one third of the capital to the limited partnership is Mr. Li, who held 34.75%, 39.94% and 42.62% of the partnership interest in Dinghong Investment, Runsheng Investment and Wanghe Investment, respectively.

   Accordingly, Mr. Li is deemed to be interested in the Unlisted Shares held by Dinghong Investment, Runsheng Investment and Wanghe Investment under the SFO.

4. Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that they shall act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li. For details, please see "History, Development and Corporate Structure — Corporate Development — Our Company — Concert Party Arrangement" in this prospectus. As such, each of the Concert Parties are deemed to be interested in the Shares each other is interested in.

5. Ms. Su is the spouse of Mr. Li. By virtue of the SFO, Ms. Su is deemed to be interested in the equity interests held by Mr. Li.

6. Ms. Tong Lai Kwan (唐麗君女士) is the spouse of Mr. Au Yeung. By virtue of the SFO, Ms. Tong Lai Kwan is deemed to be interested in the equity interests held by Mr. Au Yeung.

7. Ms. Cheung Wai Ling (張惠玲女士) is the spouse of Mr. Lee Yuk Ming. By virtue of the SFO, Ms. Cheung Wai Ling is deemed to be interested in the equity interests held by Mr. Lee Yuk Ming.

8. Ms. Zhang Rihuan (張日歡女士) is the spouse of Mr. Zhuang Shuguang. By virtue of the SFO, Ms. Zhang Rihuan is deemed to be interested in the equity interests held by Mr. Zhuang Shuguang.

9. Shenzhen Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)) ("**Habo Technology**") is a limited partnership established under the laws of the PRC. The general partner of Habo Technology is Habo Technology Venture Capital Co., Ltd* (哈勃科技創業投資有限公司) ("**Habo Venture Capital**"), which held 1% of the partnership interest in Habo Technology. The limited partner of Habo Technology who contributed more than one third of the capital to the limited partnership is Huawei Technologies Co., Ltd (華為技術有限公司) ("**Huawei Technologies**"), which held 69% of the partnership interest in Habo Technology.

Both Habo Venture Capital and Huawei Technologies are wholly owned by Huawei Investment & Holding Co., Ltd (華為投資控股有限公司) ("**Huawei Investment**") and Huawei Investment is owned as to 99.42% by Huawei Investment & Holding Co., Ltd. Trade Union Committee* (華為投資控股有限公司工會委員會) ("**Huawei Investment Trade Union Committee**").

As such, under the SFO, Habo Venture Capital, Huawei Technologies, Huawei Investment and Huawei Investment Trade Union Committee are deemed to be interested in the equity interests held by Habo Technology.

SHARE CAPITAL

As at the Latest Practicable Date, the share capital of our Company is RMB363,198,011, divided into 363,198,011 Unlisted Shares with a nominal value of RMB1.00 each.

Assuming that the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be increased to RMB393,268,511 and set out as follows:

Number of Shares	Description of Shares	Approximate Percentage of the Enlarged Share Capital after the Global Offering
334,278,085	Unlisted Shares	85.0000%
28,919,926	H Shares to be converted from Unlisted Shares	7.3537%
30,070,500	H Shares to be issued under the Global Offering	7.6463%
393,268,511		100.0000%

Assuming that the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB397,779,061 and set out as follows:

Number of Shares	Description of Shares	Approximate Percentage of the Enlarged Share Capital after the Global Offering
334,278,085	Unlisted Shares	84.0361%
28,919,926	H Shares to be converted from Unlisted Shares	7.2703%
30,070,500	H Shares to be issued under the Global Offering	7.5596%
4,510,550	H Shares to be issued upon full exercise of the Over-allotment Option	1.1339%
397,779,061		100.0000%

OUR SHARES

The H Shares in issue following the completion of the Global Offering and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approvals of any competent authorities, including our existing Shareholders who may convert their Unlisted Shares into H Shares upon completion of filing with the CSRC, H Shares generally may not be subscribed for by or traded between legal or natural persons of the PRC.

The Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of our Shares are to be declared and paid by us in Hong Kong dollars or Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Our Unlisted Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Unlisted Shares may be converted into H Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained.

In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted to H Shares and to be traded on the Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Subject to fulfilling the procedures below, our Company may apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares before any proposed conversion so that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our Company's initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require prior application for listing as at the time of our Company's initial listing in Hong Kong. A vote by our Shareholders in general meeting is not required for the listing and trading of the converted Shares on an overseas stock exchange. Any listing of the converted Shares on the Stock Exchange after the initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

After all the requisite 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 H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be listed as H Shares.

RESTRICTIONS OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the Listing will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. 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. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, please refer to "Underwriting — Underwriting Arrangements and Expenses — Undertakings to the Stock Exchange Pursuant to the Listing Rules — (B) Undertakings by our Controlling Shareholders" in this prospectus.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, pursuant to the Articles of Association and subject to the requirements of the relevant PRC laws and regulations, our Company, upon the Listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Unlisted Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

For details of circumstances under which our Shareholders' general meetings are required, please refer to "Appendix VI — Summary of Articles of Association" in this prospectus.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Unlisted Shares of H-Share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC, the domestic shareholders of Unlisted Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of the Unlisted Shares involved in the application is completed.

The following discussion and analysis should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes. Our historical financial information has been prepared in accordance with IFRS, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, 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 prospectus, including the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our fiscal years ended December 31 of such years.

OVERVIEW

We are an SiC epitaxial wafer manufacturer focusing primarily on self-manufactured SiC epitaxial wafers. Our product offerings include various sizes of SiC epitaxial wafers, namely 4-inch, 6-inch and 8-inch SiC epitaxial wafers. Our SiC epitaxial wafers are generally used in end application scenarios including new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances, satisfying the growing needs from these downstream industries. We believe our advanced technologies and large-scale production capacity, have enabled us to stay at the forefront of R&D of production processes and market introduction of domestic substrates, accessory consumables and core equipment, thereby promoting the domestic substitution process of major components along the SiC power semiconductor device industry value chain.

Our revenue increased significantly from RMB436.9 million in 2022 to RMB1,171.2 million in 2023. In addition, our gross profit increased from RMB87.5 million in 2022 to RMB216.6 million in 2023. Due to changes in overall market conditions and decrease in our sales to overseas markets, our revenue decreased to RMB519.6 million in 2024. We recorded gross loss of RMB374.4 million and net loss of RMB500.3 million in 2024. During the five months ended May 31, 2024, we recorded revenue of RMB297.3 million, gross loss of RMB27.1 million and net loss of RMB114.8 million. Our revenue for the five months ended May 31, 2025 decreased to RMB256.8 million from RMB297.3 million for the five months ended May 31, 2024. We recorded gross profit of RMB57.8 million and net profit of RMB9.5 million for the five months ended May 31, 2025. See "Risk Factors — Risks

Relating to Our Business and Industry — Our historical growth may not be indicative of our future growth, and we may not be able to manage our growth or execute our business strategies effectively."

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial performance are principally affected by the following factors:

The Market Demand and our Product Offerings

Driven by technological developments in processing power, miniaturization and energy efficiency, as well as increasing demand from downstream industries such as consumer electronics, EVs and data centers, the market size of global semiconductor device industry witnessed overall growth from 2020 to 2024. Our revenue increased from RMB436.9 million in 2022 further to RMB1,171.2 million in 2023, representing a year-on-year increase of 168.1%, mainly driven by market demand. We experienced a decline in our performance in 2024, primarily due to a decrease in market price of SiC epitaxial wafers and our overseas sales. For the five months ended 31 May 2025, our revenue decreased by 13.6% as compared with the five months ended 31 May 2024.

Currently, SiC epitaxial wafer offered in the market can be classified as 4-inch, 6-inch and 8-inch in terms of its size. We achieved mass production of 4-inch and 6-inch SiC epitaxial wafers in 2014 and 2018, respectively, and possessed the capability of production of 8-inch SiC epitaxial wafers in 2023. During the Track Record Period, we principally offered 4-inch and 6-inch SiC epitaxial wafers and have commenced experimental production of 8-inch epitaxial wafers, enabling us to gain widespread recognition from customers both domestically and internationally. Various sizes of SiC epitaxial wafers may have different average selling prices and gross profit margins. As such, the combination of the products we offer to our customers may affect our results of operations and profitability. In light of the key industry trend of adopting 8-inch SiC epitaxial wafers, we believe we are well-positioned to capture market opportunities and improve our performance going forward.

Changes in International Trade Policies

Sales to overseas markets, including Hong Kong of China, South Korea, Japan, Taiwan of China, Singapore, Europe and Australia, contributed a substantial portion of our revenue in 2022, and 2023. Our revenue generated from countries and regions outside Chinese Mainland amounted to RMB54.9 million, RMB518.2 million and RMB44.8 million, respectively, in 2022, 2023 and 2024, accounting for 12.6%, 44.2% and 8.6% of our total revenue for the respective year. Since the second half of 2024, Customer J, one of our major customers in 2023, had ceased to purchase SiC epitaxial wafers from us. During the five months ended May 31, 2025, revenues derived from overseas market representing 0.5% of our total revenue for the period.

Although we put primary focuses on PRC market during the Track Record Period, we intend to extend our footprint in key overseas countries and regions. Accordingly, our business are subject to changes in international trade policies such as heavy tariffs or harsh trade conditions or other trade-related measures in various forms against certain countries, individuals and legal entities. Any change in international trade policies may expose us to certain liabilities and increase our costs. We may be banned from cooperation with customers located in certain countries. Accordingly, our future revenue and results of operations may be adversely affected. We cannot predict the implications of any change in international trade policies and the resulting impact on our industry and the global economy. 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 international trade policies and international export controls and economic sanctions."

Our R&D Capability

We place strong focus on R&D and innovation of production and manufacturing processes of SiC epitaxial wafers. We have established our R&D center in Dongguan, China, where we actively engage in resolving manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. After years of R&D investment and extensive mass production experience, we have mastered a number of core technologies that encompass the key production phases of SiC epitaxial wafers including epitaxial growth technologies, grinding and polishing technologies, and cleaning technologies. We incurred R&D expenses of RMB29.2 million, RMB55.3 million, RMB61.0 million and RMB19.9 million in 2022, 2023 and 2024 and for the five months ended May 31, 2025, respectively, demonstrating our significant and continuous efforts into the R&D of our products and technologies. Over the years of our operation, our strong commitment in R&D had enabled us to product high quality SiC epitaxial wafers of larger sizes, laying a good foundation for our business expansion. Going forward, we plan to continue to invest in R&D to promote technological innovation on mass production and manufacturing processes.

The Changes in Market Prices of Raw Materials and SiC Epitaxial Wafer Products and our Manufacturing Costs

During the Track Record Period, material costs represented the largest component of our cost of sales. Our material costs amounted to RMB231.2 million, RMB667.1 million, RMB374.8 million and RMB146.8 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 66.2%, 69.9%, 41.9% and 73.8% of our total cost of sales in the respective year/period. 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. During the Track Record Period, the market price of SiC substrates, our major raw material, decreased as a result of the manufacturing capacity expansion of upstream raw material suppliers and improvement of SiC substrates production process. Accordingly, we strategically lower the selling prices of our SiC epitaxial wafers, allowing our products to compete effectively in the market. Any fluctuation in prices 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.

Manufacturing costs constituted the second largest component of our cost of sales during the Track Record Period. Our manufacturing costs mainly included depreciation and amortization, utility expenses and parts and consumables. Our manufacturing costs amounted to RMB83.8 million, RMB217.7 million, RMB155.9 million and RMB67.6 million, respectively, in 2022, 2023 and 2024, and for the five months ended May 31, 2025, accounting for 24.0%, 22.8%, 17.4% and 33.9% of our total cost of sales in the respective year/period. Any changes in the level of our manufacturing costs will have a direct impact on our gross profit margin and thus our results of operations.

In addition, we also recorded provision for write-down of inventories of RMB14.7 million, RMB21.3 million and RMB315.1 million, respectively, in 2022, 2023 and 2024, accounting for 4.2%, 2.2% and 35.2% of our total cost of sales in the respective year, in light of the changes in the market prices and demand of SiC epitaxial wafers. The significant increase in provision for inventories in 2024 was mainly attributable to the decrease of market prices of SiC epitaxial wafers. As of December 31, 2024, we also made full provision for our 4-inch epitaxial wafers-related inventories due to the uncertainties in future demand as the smaller 4-inch epitaxial wafers are gradually being phased out in favor of the larger-sized epitaxial wafers. For the five months ended May 31, 2025, we recorded a reversal of provision for our inventories in connection with certain non-conforming inventories which we had made provision previously, but were returned to the supplier upon agreement reached this year. Those inventories refer to the 6-inch substrates purchased from Supplier A and a majority of the relevant non-conforming inventories were delivered to us from in the first half of 2024, June 2024 being the delivery month for the last batch of the aforesaid inventories. These non-conforming inventories together with other inventories were sample-tested upon receipts, and no substandard substrates were found during our quality testing process. However, during September 2024 to January 2025, one of our customers raised a quality issue for a small batch of our products which were made of the non-conforming inventories. As such, we started to conduct an investigation into our products as well as the substrates. Upon our investigation, we found that such abnormalities were principally related to carrier mobility and not related to our epitaxial layers. Therefore, we kept communicating with Supplier A to see how to handle these relevant non-conforming inventories.

After liaison with Supplier A, the non-conforming inventories were returned to Supplier A in May 2025, upon which the relevant provision previously made on the non-conforming inventories was reversed accordingly. To the best of the Directors' knowledge and belief, having made all reasonable enquiries, Supplier A is an Independent Third Party and it does not have any past and present relationships (including, without limitation, business, employment, family, trust, financing, shareholding or otherwise) with us, other than being our supplier. The original purchase cost for these non-conforming substrates was RMB52.2 million, the price of which was determined before May 2024 while the market price was relatively high in general at that time comparing with the time near the end of 2024. Further, the cost for purchasing substrates from an overseas supplier was generally higher than that from a local supplier. As a result of high purchase cost for these non-conforming substrates, as at December 31, 2024, we made a provision of RMB34.1 million having considered the market price of the substrates at the relevant time. Any further decrease in market prices of epitaxial wafers could adversely affect our results of operation if we fail to optimize our inventory level.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the PRC on January 7, 2009, and was converted into a joint stock limited liability company in November 2022. For more details, please see "History, Development and Corporate Structure" in this prospectus.

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified various accounting policy information that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations, details of which are disclosed in note 2 of the Accountants' Report in Appendix I to this prospectus.

The preparation of our historical financial information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 the revision affects both current and future periods. For details on such estimates and judgments, see note 3 to the Accountants' Report included in Appendix I to this prospectus.

The following paragraphs discuss, among others, our critical accounting policy information, estimates and judgements applied in preparing our financial information:

Revenue Recognition

Income is classified by us as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business. We are the principal for our revenue transactions and recognize revenue on a gross basis. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but we generally provide credit terms to customers.

Government Grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized by setting up the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

Property, Plant and Equipment

The property, plant and equipment, including right-of-use assets arising from leases over leasehold properties where we are not the registered owner of the property interest and right-of-use assets arising from leases of underlying plant and equipment, are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any impairment losses. Any gains or losses on disposal of an item of property, plant and equipment is recognized in profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of Non-Current Assets

The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstance indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

As of December 31, 2022, 2023 and 2024 and May 31, 2025, we had (i) property, plant and equipment amounting to RMB415.3 million, RMB1,391.1 million, RMB2,338.7 million and RMB2,495.4 million, respectively, which mainly included machinery and equipment and construction in progress; (ii) right-of-use assets amounting to RMB96.6 million, RMB205.4 million, RMB195.9 million and RMB191.7 million, respectively, which mainly included leased properties and leased lands; and intangible assets amounting to RMB0.3 million, RMB0.3 million, RMB3.5 million and RMB3.2 million, respectively, which mainly included software.

We did not identify any impairment indication to test for impairment for our non-current assets in 2022 and 2023 based on the then market conditions and our financial performance. Considering the changes in the market outlook as detailed in "Business — Challenges to Our Industry and Our Business — Analysis on Recent Financial Performance," we had identified impairment indication for property, plant and equipment, right of use assets or intangible assets as of December 31, 2024 and determined the recoverable amount of these assets based on value in use calculation. The recoverable amount of these assets was determined to be greater than their carrying amount. Accordingly, we did not make provision for impairment on our property, plant and equipment, right of use assets or intangible assets as of December 31, 2024, based on our value in use calculation, which took into account future growing downstream market demand and our ongoing progress in market expansion and the considerations of adverse factors including (i) the future capital outflow in relation to our expansion plan in purchasing machinery and construction of new production base; (ii) the then low utilization of our production base; and (iii) the cash from our orders based on our framework agreements. We have considered that certain of our backlog orders may not materialize into actual orders.

During the five months ended May 31, 2025, the utilization rate of our headquarters production base equaled 58.9%, showing an improvement from the utilization rate in 2024, primarily attributable to increased purchase orders due to downstream demand. Based on the improvement in utilization rate, the growing downstream market demand and our ongoing progress in market expansion, we did not consider there had been any impairment indications for our property, plant and equipment, right of use assets or intangible assets as of May 31, 2025.

Accordingly, we did not make any impairment for property, plant and equipment, right of use assets or intangible assets as of December 31, 2022, 2023 and 2024 and May 31, 2025. In respect of the impairment assessment performed by our management, the Reporting Accountants have performed procedures in accordance with HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants to obtain reasonable assurance as to whether the Historical Financial Information is free from material misstatement as a whole.

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are measured at the lower of cost and net realizable value. Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and Other Receivables

A receivable is recognized when we have an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due. Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our statements of profit or loss and other comprehensive income, with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	**436,855**	**100.0**	**1,171,214**	**100.0**	**519,622**	**100.0**	**297,269**	**100.0**	**256,836**	**100.0**
Cost of sales	(349,369)	(80.0)	(954,596)	(81.5)	(893,982)	(172.0)	(324,326)	(109.1)	(199,071)	(77.5)
Gross profit/(loss)	**87,486**	**20.0**	**216,618**	**18.5**	**(374,360)**	**(72.0)**	**(27,057)**	**(9.1)**	**57,765**	**22.5**
Other net income	3,526	0.8	55,928	4.8	13,377	2.6	7,718	2.6	15,255	5.9
Selling and distribution expenses	(8,101)	(1.9)	(11,956)	(1.0)	(19,023)	(3.7)	(6,931)	(2.3)	(6,693)	(2.6)
Administrative and other operating expenses	(42,414)	(9.7)	(74,362)	(6.3)	(113,599)	(21.9)	(68,246)	(23.0)	(14,993)	(5.8)
Research and development expenses	(29,235)	(6.7)	(55,343)	(4.7)	(61,032)	(11.8)	(30,339)	(10.2)	(19,874)	(7.7)
Profit/(loss) from operations	**11,262**	**2.6**	**130,885**	**11.2**	**(554,637)**	**(106.7)**	**(124,855)**	**(42.0)**	**31,460**	**12.2**
Finance costs	(7,516)	(1.7)	(19,876)	(1.7)	(34,551)	(6.6)	(12,057)	(4.1)	(19,870)	(7.7)
Profit/(loss) before taxation	3,746	0.9	111,009	9.5	(589,188)	(113.4)	(136,912)	(46.1)	11,590	4.5
Income tax (expense)/ credit	(932)	(0.2)	(15,127)	(1.3)	88,936	17.1	22,130	7.4	(2,075)	(0.8)
Profit/(loss) for the year/period	**2,814**	**0.6**	**95,882**	**8.2**	**(500,252)**	**(96.3)**	**(114,782)**	**(38.6)**	**9,515**	**3.7**
Attributable to:										
Equity shareholders of the Company	6,951	1.6	101,436	8.7	(492,455)	(94.8)	(111,927)	(37.7)	12,504	4.9
Non-controlling interests	(4,137)	(0.9)	(5,554)	(0.5)	(7,797)	(1.5)	(2,855)	(1.0)	(2,989)	(1.2)
Profit/(loss) and total comprehensive income for the year/period	**2,814**	**0.6**	**95,882**	**8.2**	**(500,252)**	**(96.3)**	**(114,782)**	**(38.6)**	**9,515**	**3.7**

Revenue

Revenue by Business Line

During the Track Record Period, we generated our revenue from (i) sales of self-manufactured SiC epitaxial wafers; and (ii) other sales and services, which mainly include the provision of SiC epitaxial wafer-related services and sales of suboptimal SiC epitaxial wafers. Suboptimal products are products we manufactured that do not fully meet requirements specified by our customers of the original orders and were therefore not delivered for primary sale. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Sales of self-manufactured SiC epitaxial wafers	398,341	91.2	1,127,097	96.2	484,423	93.2	292,695	98.5	224,570	87.4
— 4-inch	*11,492*	*2.6*	*8,252*	*0.7*	*7,615*	*1.5*	*1,571*	*0.5*	*2,559*	*1.0*
— 6-inch	*386,849*	*88.6*	*1,118,328*	*95.5*	*455,849*	*87.7*	*289,375*	*97.4*	*158,051*	*61.5*
— 8-inch	—	—	*517*	—(1)	*20,959*	*4.0*	*1,749*	*0.6*	*63,960*	*24.9*
Other sales and services	38,514	8.8	44,117	3.8	35,199	6.8	4,574	1.5	32,266	12.6
Total	**436,855**	**100.0**	**1,171,214**	**100.0**	**519,622**	**100.0**	**297,269**	**100.0**	**256,836**	**100.00**

Note:

(1) Less than 0.1%.

Sales of Self-manufactured SiC Epitaxial Wafers

We principally engaged in sales of self-manufactured SiC epitaxial wafers and generated revenue of RMB398.3 million, RMB1,127.1 million, RMB484.4 million and RMB224.6 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 91.2%, 96.2%, 93.2% and 87.4% of our total revenue for the respective year/period. During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers, while we commenced the sales of 8-inch SiC epitaxial wafers to customers in 2023.

Revenue from sales of self-manufactured SiC epitaxial wafers is primarily driven by sales volume and our selling prices. The following table sets forth a summary of our revenue, sales volume and ASP from sales of self-manufactured SiC epitaxial wafers for the years/periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000* (unaudited)	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
4-inch	11,492	2,777	4,138	8,252	1,818	4,539	7,615	1,699	4,482	1,571	318	4,940	2,559	901	2,840
6-inch	386,849	40,167	9,631	1,118,328	125,799	8,890	455,849	68,358	6,669	289,375	36,520	7,924	158,051	50,360	3,138
8-inch	—	—		517	15	34,467	20,959	1,679	12,483	1,749	100	17,490	63,960	7,635	8,377
	398,341	42,944	9,276	1,127,097	127,632	8,831	484,423	71,736	6,753	292,695	36,938	7,924	224,570	58,896	3,813

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB398.3 million in 2022 to RMB1,127.1 million in 2023, primarily due to an increase in our sales volume of SiC epitaxial wafers driven by our increased production capacity and downstream market demand. As market demand increased especially from sectors such as electric vehicles and new energy, we continued to increase our production capacity to meet the rising orders and capitalize the market opportunities. Our maximum available production capacity reached 171,748 pieces in 2023 as compared to 50,557 pieces in 2022, supporting our revenue growth during the year.

- The sales volume of our 6-inch SiC epitaxial wafers increased from 40,167 pieces in 2022 to 125,799 pieces in 2023; and that of our 4-inch SiC epitaxial wafers decreased from 2,777 pieces in 2022 to 1,818 pieces in 2023. Such trend was generally in line with the substantial growth of global market of 6-inch SiC epitaxial wafers and decline of the 4-inch SiC epitaxial wafers from 2020 to 2024 as the 6-inch SiC epitaxial wafers gain its popularity as a result of technological advancement and decreased production costs. We sold 15 pieces of 8-inch SiC epitaxial wafers in November and December 2023 as we were awarded orders from two of our overseas customers for production of sample products in 2023.

- The ASP of SiC epitaxial wafers decreased from RMB9,276 in 2022 to RMB8,831 in 2023, which was primarily due to a decrease in ASP of 6-inch epitaxial wafers, which accounted for a higher proportion of our total sales.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 57.0% from RMB1,127.1 million in 2023 to RMB484.4 million in 2024, primarily due to a decrease in selling prices and sales volume of SiC epitaxial wafers.

- The sales volume of our SiC epitaxial wafers decreased from 127,632 pieces in 2023 to 71,736 pieces in 2024, primarily due to a decrease in sales to overseas customers, especially Customer J in South Korea, which contributed 42.0% of our total revenue in 2023. Customer J, a subsidiary of a US listed company, reduced its purchase from us in the first half of 2024 and generally no longer made purchases from us as a Chinese manufacturer in the second half of 2024, primarily due to changes in U.S. trade policy affecting certain semiconductor imports from China.

- The ASP of our epitaxial wafers decreased from RMB8,831 in 2023 to RMB6,753 in 2024. As a result of a temporary industry oversupply due to accelerated capacity expansion by SiC epitaxial wafer manufacturers following earlier periods of supply shortage and strong demand visibility, market prices of SiC epitaxial wafers and substrates decreased in 2024. We benefited from a decrease in market price of SiC substrates, thus allowing us room for price adjustments. Such oversupply is expected to normalize as downstream demand recovers and excess inventory is absorbed. The impact on ASP was partially offset by the effect of increased sales of our 8-inch SiC epitaxial wafers, which had higher ASP, in 2024.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 23.3% from RMB292.7 million for the five months ended May 31, 2024 to RMB224.6 million for the five months ended May 31, 2025, primarily due to a decrease in selling prices of SiC epitaxial wafers.

- As a result of the reduced selling price of our SiC epitaxial wafers, we improved the market penetration and gain more market share. The ASP of our epitaxial wafers decreased from RMB7,924 for the five months ended May 31, 2024 to RMB3,813 for the five months ended May 31, 2025.

- The impact of low selling price was partly offset by the impact of our volume-driven sales strategy, which had led to an increase of sales volume of our SiC epitaxial wafers by 59.4% for the five months ended May 31, 2025, as compared with that for the five months ended May 31, 2024. The sales volume of our SiC epitaxial wafers increased from 36,938 pieces for the five months ended May 31, 2024 to 58,896 pieces for the five months ended May 31, 2025, primarily due to strong downstream demand arising from the changes in market conditions. The sales volume of our 6-inch epitaxial wafers increased from 36,520 pieces for the five months ended May 31, 2024 to 50,360 pieces for the five months ended May 31, 2025. The demand of our 8-inch SiC epitaxial wafers substantially increased as we received sales orders from three customers, including a leading third-generation semiconductor supplier in China which specializes in research and development, production and sales of silicon carbide devices, a semi-conductor device manufacturing company in China, and a laboratory in China which specializes in research and development of power semi-conductors. The relevant sales volume of our 8-inch increased by over 75 times from 100 pieces for the five months ended May 31, 2024 to 7,635 pieces for the five months ended May 31, 2025.

The following table sets forth a summary of our revenue from sales of self-manufactured SiC epitaxial wafers, sales volume and ASP by geographic location of customers for the years/periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000* (unaudited)	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
Chinese Mainland	343,473	37,219	9,228	621,208	69,112	8,988	440,645	66,644	6,612	254,716	32,452	7,849	223,387	58,627	3,810
Hong Kong	5,936	1,064	5,579	12,258	1,155	10,613	1,048	91	11,516	934	80	11,675	17	4	4,250
South Korea	47,696	4,438	10,747	488,435	56,667	8,619	38,701	4,486	8,627	36,524	4,356	8,385	150	32	4,688
Others[1]	1,236	223	5,543	5,196	698	7,444	4,029	515	7,823	521	50	10,420	1,016	233	4,361
	398,341	42,944	9,276	1,127,097	127,632	8,831	484,423	71,736	6,753	292,695	36,938	7,924	224,570	58,896	3,813

Note:

(1) Others primarily includes Japan, Taiwan, Singapore, Europe and Australia.

Revenue from sales of self-manufactured epitaxial wafers in Chinese Mainland increased by 80.9% from RMB343.5 million in 2022 to RMB621.2 million in 2023, primarily driven by growing market demand. Revenue from sales of self-manufactured epitaxial wafers in Chinese Mainland decreased by 29.1% to RMB440.6 million in 2024, mainly attributable to decrease in market prices of SiC epitaxial wafers in 2024, despite a relatively stable sales volume. Revenue from sales of self-manufactured epitaxial wafers in Chinese Mainland for the five months ended May 31, 2025 decreased by 12.3% from RMB254.7 million for the five months ended May 31, 2024 to RMB223.4 million for the five months ended May 31, 2025 despite the increase of sales volume of epitaxial wafers being sold from 32,452 pieces for the five months ended May 31, 2024 to 58,627 pieces for the five months ended May 31, 2025.

Revenue from sales of self-manufactured epitaxial wafers in South Korea increased significantly from RMB47.7 million in 2022 to RMB488.4 million in 2023, mainly attributable to increased purchase from Customer J, primarily due to its increasing demand as a result of its primary focus towards automotive and industrial markets. Revenue from sales of self-manufactured epitaxial wafers in South Korea decreased by 92.1% to RMB38.7 million in 2024, mainly as Customer J reduced its purchase from us in the first half of 2024 and generally no longer made purchases from us as a Chinese manufacturer in the second half of 2024, primarily due to changes in U.S. trade policy affecting certain semiconductor imports from China. Revenue from sales of self-manufactured epitaxial wafers in South Korea decreased by 99.6% from RMB36.5 million for the five months ended May 31, 2024 to RMB0.2 million as Customer J reduced its purchase from us in the first half of 2024, and it had ceased to purchase from us since the second half of 2024. Therefore we had not sold our epitaxial wafers to this customer for the five months ended May 31, 2025.

Other Sales and Services

During the Track Record Period, we also generated revenue from (i) the provision of certain value-added services related to SiC epitaxial wafers, primarily including SiC epitaxial foundry service, epitaxial wafer cleaning service, and SiC related inspection service; and (ii) from sales of certain suboptimal epitaxial wafers. Suboptimal products are products we manufactured that do not fully meet requirements specified by our customers of the original orders and were therefore not delivered for primary sale. From time to time, we reach out to customers and sell our suboptimal epitaxial wafers produced in the course of our production, which may be used for testing or R&D purposes. These suboptimal products did not meet quality standards of the original customer after internal quality inspection, but may meet other customers' requests due to their differentiated requirements of epitaxial wafers' quality and purposes of use.

Our revenue generated from other sales and services amounted to RMB38.5 million, RMB44.1 million, RMB35.2 million and RMB32.3 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 8.8%, 3.8%, 6.8% and 12.6% of our total revenue for the respective year/period.

Our revenue generated from other sales and services increased by 14.5% from RMB38.5 million in 2022 to RMB44.1 million in 2023, primarily due to an increased revenue from sales of suboptimal products to our downstream customers and provision of value-added services.

Our revenue generated from other sales and services decreased by 20.2% from RMB44.1 million in 2023 to RMB35.2 million in 2024, mainly due to a decrease in sales of suboptimal products. In 2023, as SiC epitaxial wafer manufacturers accelerated capacity expansion, which required low-cost epitaxial wafers for testing the facilities — leading to higher sales of suboptimal products in 2023.

Our revenue generated from other sales and services amounted to RMB4.6 million and RMB32.3 million, respectively, for the five months ended May 31, 2024 and 2025, accounting for 1.5% and 12.6% of our total revenue for the respective periods. Such increase was primarily due to the increase of provision of foundry services as a result of the increase in volume of SiC epitaxial wafers we processed for our customers.

Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location based on the location at which the services were provided or the goods were delivered, in absolute amounts and as a percentage of our revenue, for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Chinese Mainland	381,986	87.4	652,969	55.8	474,857	91.4	258,507	87.0	255,591	99.5
Hong Kong	5,936	1.4	12,733	1.1	1,065	0.2	945	0.3	27	—
South Korea	47,696	10.9	499,424	42.6	39,305	7.6	37,084	12.5	150	0.1
Others[(1)]	1,237	0.3	6,088	0.5	4,395	0.8	733	0.2	1,068	0.4
Total	**436,855**	**100.0**	**1,171,214**	**100.0**	**519,622**	**100.0**	**297,269**	**100.00**	**256,836**	**100.00**

Note:

(1) Others primarily includes Japan, Taiwan, Singapore, Europe and Australia.

During the Track Record Period, we generated a majority of our revenue from Chinese Mainland. Our revenue generated from sales to Chinese Mainland amounted to RMB382.0 million, RMB653.0 million and RMB474.9 million, respectively, in 2022, 2023 and 2024, accounting for 87.4%, 55.8% and 91.4% of our total revenue for the respective year. Our revenue generated from sales to Chinese Mainland amounted to RMB255.6 million for the five months ended May 31, 2025, accounting for 99.5% of our total revenue for such period.

Our revenue generated from countries and regions outside Chinese Mainland amounted to RMB54.9 million, RMB518.2 million, RMB44.8 million and RMB1.2 million, respectively, in 2022, 2023 and 2024 and for the five months ended May 31, 2025, accounting for 12.6%, 44.2%, 8.6% and 0.5% of our total revenue for the respective year/period. Specifically, our revenue from South Korea increased significantly from RMB47.7 million in 2022 to RMB499.4 million in 2023 and decreased to RMB39.3 million in 2024, which was mainly due to large sales orders received from Customer J in South Korea, which is a subsidiary of a U.S. semiconductor company, since 2022. Customer J reduced its purchase from us in the first half of 2024 and generally no longer purchased from us as a Chinese manufacturer since the second half of 2024, primarily due to, to the best knowledge of the Company, changes in U.S. trade policy affecting certain semiconductor imports from China, leading to a decrease in our sales to South Korea in 2024. Our revenue generated from countries and regions outside Chinese Mainland amounted to RMB1.2 million for the five months ended May 31, 2025, accounting for 0.5% of our total revenue for such period. During the Track Record Period, our focus was mainly on Chinese Mainland market. Other than Customer J from Korea who had contributed a significant portion of our revenue in 2023, revenue from overseas market only representing an insignificant portion of our revenue. As the global demand on the SiC power semiconductor devices is expected to increase along with China's market, going forward, we intend to set up our overseas sales and marketing teams in countries we considered of having great potential such as Malaysia, Japan and Italy in order to raise our overseas revenue. We may adjust our sales strategy in overseas markets from time to time so as to capture emerging market opportunities in other overseas markets.

Cost of Sales

Our cost of sales primarily consist of (i) material costs, which mainly include conductive SiC substrates, (ii) provision/(reversal of provision) for inventories; (iii) manufacturing costs, which mainly include depreciation of our production plant and equipment, utility expenses and parts and consumables etc; and (iv) labor costs, which mainly include salaries, social insurance expenses and other benefits for our production personnel.

The following table sets forth a breakdown of cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Material costs	231,191	66.2	667,110	69.9	374,822	41.9	189,276	58.4	146,774	73.8
Provision/(reversal of provision) for inventories	14,711	4.2	21,301	2.2	315,122	35.2	52,320	16.1	(30,984)	(15.6)
Manufacturing costs	83,833	23.9	217,772	22.8	155,874	17.4	62,187	19.2	67,551	33.9
— depreciation and amortization	*19,175*	*5.5*	*59,833*	*6.3*	*75,958*	*8.5*	*30,998*	*9.6*	*33,438*	*16.8*
— utility expenses	*18,693*	*5.3*	*56,306*	*5.9*	*40,282*	*4.5*	*15,515*	*4.8*	*19,399*	*9.7*
— parts and consumables	*7,011*	*2.0*	*60,700*	*6.3*	*21,524*	*2.4*	*9,190*	*2.8*	*9,309*	*4.7*
— other manufacturing costs	*38,954*	*11.1*	*40,933*	*4.3*	*18,109*	*2.0*	*6,484*	*2.0*	*5,405*	*2.7*
Labor costs	18,347	5.3	46,954	4.9	46,841	5.2	19,950	6.1	15,587	7.8
Others[1]	1,287	0.4	1,459	0.2	1,323	0.2	593	0.2	143	0.1
Total	**349,369**	**100.0**	**954,596**	**100.0**	**893,982**	**100.0**	**324,326**	**100.0**	**199,071**	**100.0**

Note:

(1) Others mainly include taxes.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

In 2022 and 2023, our gross profit was RMB87.5 million and RMB216.6 million, respectively. We incurred a gross loss of RMB374.4 million in 2024, primarily due to (i) an decreased revenue and (ii) an increase in provision for write-down of inventories from RMB21.3 million in 2023 to RMB315.1 million in 2024 in view of the decrease of market prices of SiC epitaxial wafer products, as a result of a temporary oversupply of SiC substrates following the SiC epitaxial wafer manufacturers accelerated capacity expansion following earlier periods of supply shortage and strong demand visibility. As of December 31, 2024, we also made full provision for our 4-inch epitaxial wafers-related inventories due to the uncertainties in future demand as the smaller 4-inch epitaxial wafers are gradually being phased out in favor of the larger-sized epitaxial wafers.

During the Track Record Period, our overall gross profit margin varied, primarily due to the change in our product mix, the pricing of our products/services as well as the cost of products/services, which are predominately driven by market conditions. We achieved an overall gross profit margin of 20.0%, 18.5% and 22.5% in 2022 and 2023 and the five months ended May 31, 2025, respectively. In 2024, as a result of a substantial provision made for inventories in response to the decrease of price of SiC epitaxial wafers and our decrease in selling price of our SiC epitaxial wafers during 2024, we recorded an overall gross loss margin of 72.0%.

Our overall gross profit margin decreased from 20.0% in 2022 to 18.5% in 2023, primarily reflecting (i) an increase in fixed costs associated with the ramp-up of new production line launched in 2023; and (ii) a decrease in our selling prices of our epitaxial wafers as we strategically reduced our price to gain market shares.

Our overall gross profit margin decreased from 18.5% in 2023 to a gross loss margin of 72.0% in 2024, primarily reflecting (i) an increase in provision for write-down of inventories to reflect a decrease in market prices of our products; (ii) a decrease in selling prices of our epitaxial wafers mainly driven by market conditions. The ASP of our 6-inch epitaxial wafers decreased from RMB8,890 per piece in 2023 to RMB6,669 per piece in 2024, while that for 8-inch epitaxial wafers decreased from RMB34,467 per piece in 2023 to RMB12,483 per piece in 2024, due to a decrease in price of substrates, as a result of a temporary oversupply of SiC substrates due to the accelerated capacity expansion by SiC epitaxial wafer manufacturers following earlier periods of supply shortage and strong demand visibility; and (iii) a general increase in our average cost of products as our production volume decreased and fixed costs increased due to the ramp-up of the new production lines. Our fixed costs, which included depreciation and amortization, incurred for production as a percentage of total revenue increased from 5.1% in 2023 to 14.6% in 2024.

During the five months ended May 31, 2025, our gross profit margin increased to 22.5% due to (i) a turnaround from provision for inventories made for the five months ended May 31, 2024 as compared with the reversal of provision for inventories upon return of certain non-conforming inventories to a supplier during the five months ended May 31, 2025; (ii) increase in sales volume resulting from our increased sales of 8-inch and 6-inch SiC epitaxial wafers which led to economies of scale; and (iii) decreased purchase cost due to domestic substitution.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin by Business Segment and Product

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of self-manufactured SiC epitaxial wafer products										
– 4-inch	(2,385)	(20.8)	1,872	22.7	85	1.1	(2,502)	(159.3)	(1,074)	(42.0)
– 6-inch	84,636	21.9	208,186	18.6	(338,307)	(74.2)	(22,094)	(7.6)	40,969	25.9
– 8-inch	—	—	167	32.3	(12,125)	(57.9)	320	18.3	31,844	49.8
Other sales and services	6,522	16.9	7,852	17.8	(22,690)	(64.5)	(2,188)	(47.8)	(13,831)	(42.9)
Subtotal	88,773	20.3	218,077	18.6	(373,037)	(71.8)	(26,464)	(8.9)	57,908	22.5
Others	(1,287)		(1,459)		(1,323)		(593)		(143)	
Total	**87,486**	**20.0**	**216,618**	**18.5**	**(374,360)**	**(72.0)**	**(27,057)**	**(9.1)**	**57,765**	**22.5**

Note: Others mainly include taxes.

The gross profit of the sales of self-manufactured SiC epitaxial wafers is RMB82.3 million, RMB210.2 million and RMB71.7 million with the corresponding gross profit margin of 20.6%, 18.7% and 31.9% for the year ended December 31, 2022 and 2023 and five months ended May 31, 2025 respectively. On the other hand, we recorded gross loss of the sales of self-manufactured SiC epitaxial wafers of RMB350.3 million and RMB24.3 million with the corresponding gross loss margin of 72.3% and 8.2% for the year ended December 31, 2024 and five months ended May 31, 2024 respectively.

The gross loss of our 4-inch SiC epitaxial wafers was RMB2.4 million with a gross loss margin of 20.8% in 2022 primarily due to provision for write-down of 4-inch SiC epitaxial wafers to reflect a decrease in market prices of our products. As a result of the increase in selling price of our 4-inch SiC epitaxial wafers in 2023, we have recorded gross profit of RMB1.9 million in 2023, with a gross profit margin of 22.7%.

In 2024, the gross profit of our 4-inch SiC epitaxial wafers decreased to RMB85,000 with the gross profit margin of 1.1%, primarily due to decrease of the selling price of 4-inch SiC epitaxial wafers coupled with the increase in provision for write-down of 4-inch SiC epitaxial wafers to reflect a decrease in market prices of our products.

During the five months ended May 31, 2025, our 4-inch SiC epitaxial wafers recorded gross loss of RMB1.1 million with a gross loss margin of 42.0%, primarily due to continuous decrease in selling price of 4-inch SiC epitaxial wafers.

The gross profit of our 6-inch SiC epitaxial wafers substantially increased from RMB84.6 million in 2022 to RMB208.2 million in 2023, primarily due to increase in sales volume partly offset by the decrease in selling price of our 6-inch SiC epitaxial wafers. The gross profit margin of our 6-inch SiC epitaxial wafers decreased from 21.9% in 2022 to

18.6% in 2023 primarily due to the decrease in selling price of our 6-inch SiC epitaxial wafers coupled with the increase in fixed costs associated with the ramp-up of new production line launched in 2023.

As a result of the decrease of sales volume coupled with the decrease in selling price of our 6-inch SiC epitaxial wafers and provision for write-down of 6-inch SiC epitaxial wafers in light of the decrease in market prices of our products, our 6-inch SiC epitaxial wafers recorded gross loss of RMB338.3 million in 2024 as compared to gross profit of RMB208.2 million in 2023. As a result of the decrease in selling price of our 6-inch SiC epitaxial wafers and provision for write-down of 6-inch SiC epitaxial wafers, our 6-inch SiC epitaxial wafers recorded gross loss margin of 74.2% as compared to the gross profit margin of 18.6% in 2023.

For the five months ended May 31, 2025, our 6-inch SiC epitaxial wafers recorded gross profit of RMB41.0 million with the gross profit margin of 25.9%, primarily due to the reversal of provision for our 6-inch SiC epitaxial wafers amounted to RMB34.1 million upon return of certain non-conforming 6-inch SiC epitaxial wafers to a supplier. Before such reversal, our gross profit was RMB6.9 million, representing gross profit margin of 4.3%.

In 2023, the gross margin from 8-inch SiC epitaxial wafers was RMB0.2 million, representing a gross profit margin of 32.3%. In 2024, our 8-inch SiC epitaxial wafers recorded gross loss of RMB12.1 million with the gross loss margin of 57.9% primarily due to the continuous decrease in selling price of 8-inch SiC epitaxial wafers in 2024 and the provision for write-down of 8-inch SiC epitaxial wafers in light of the decrease in selling price.

For the five months ended May 31, 2025, our 8-inch SiC epitaxial wafers recorded gross profit of RMB31.8 million with the gross profit margin of 49.8% as a result of (i) the increase of production volume of epitaxial wafers during the five months ended May 31, 2025 pushing down unit cost of each unit being manufactured as a result of economies of scale; and (ii) decreased purchase cost due to domestic substitution.

The gross profit and gross profit margin of other sales and services remained stable in 2022 and 2023. Other sales and services recorded gross loss of RMB22.7 million with gross loss margin 64.5% in 2024 primarily due to the low production volume in 2024 pushing up the fixed cost allocated to our SiC epitaxial foundry services. For the five months ended May 31, 2025, the gross loss margin of other sales and services improved to 42.9% as a result of increase in higher production volume during the five months ended May 31, 2025 as compared with that in 2024 resulting in less fixed cost allocated to our SiC epitaxial foundry services.

Other Net Income

Other net income primarily consists of (i) government grants, which primarily represent industry-specific subsidies granted by the local government authorities in China to encourage R&D projects; (ii) net foreign exchange (loss)/gain, which mainly arises from sales to and purchases from overseas customers and suppliers denominated in US dollars; (iii) interest income from bank deposits; (iv) compensation income, representing an one-off compensation from a supplier which failed to deliver our order on time; (v) loss on disposals of property, plant and equipment; and (vi) others.

The following table sets forth a breakdown of our other net income for the years/periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	6,382	27,607	11,063	5,776	14,944
Net foreign exchange (loss)/gain	(3,221)	3,279	959	1,249	91
Interest income from bank deposits	1,413	3,379	1,081	383	98
Compensation income	—	21,558	—	—	—
(Loss)/gain on disposals of property, plant and equipment	(1,144)	(3)	85	(8)	—
Others[1]	96	108	189	318	122
Total	**3,526**	**55,928**	**13,377**	**7,718**	**15,255**

Note:

(1) Others mainly include income from sales of scrap materials and sponsorship from suppliers for annual conference.

In 2023, we recorded compensation income of RMB21.6 million, representing compensation from one of our major suppliers in respect of its failure to deliver our orders timely. According to the supplemental agreement with that supplier in relation to the incident, the agreed compensation amount was settled by offsetting against our trade payables for the purchases we made from this supplier in 2023. See "Business — Procurement and Supply — Our Suppliers — Major Suppliers."

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) sample fees in relation to the provision of sample products to attract new customers; (ii) employee expenses, which mainly include salaries and welfare of our sales and marketing staff; (iii) business entertainment expenses, which mainly include meal expenses incurred by our sales personnel; (iv) share-based payment expenses in relation to share award scheme we adopted for the purpose of providing incentives to our employees; (v) travel expenses; (vi) depreciation and amortization; and (vii) others. In 2022, 2023 and 2024 and the five months ended May 31, 2025, our selling and distribution expenses accounted for 1.9%, 1.0%, 3.7% and 2.6% of our revenue, respectively.

The following table sets forth the components of our selling and distribution expenses for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Sample fees	1,547	19.1	2,767	23.1	5,918	31.1	2,379	34.3	2,040	30.5
Employee expenses	3,569	44.1	5,170	43.2	5,833	30.7	2,103	30.4	2,483	37.1
Share-based payment expenses	757	9.3	1,271	10.6	3,059	16.1	846	12.2	727	10.9
Travel expenses	77	1.0	635	5.3	1,152	6.0	349	5.0	438	6.5
Business entertainment expenses	1,065	13.1	884	7.4	930	4.9	416	6.0	266	4.0
Depreciation and amortization	109	1.3	177	1.5	171	0.9	112	1.6	74	1.1
Others	977	12.1	1,052	8.9	1,960	10.3	726	10.5	665	9.9
Total	**8,101**	**100.0**	**11,956**	**100.0**	**19,023**	**100.0**	**6,931**	**100.00**	**6,693**	**100.00**

Note:

(1) Others mainly include promotion expenses, office expenses, water and electricity consumption expenses, transportation expenses, property management fees and other expenses related to sales and marketing staff.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consist of (i) provision for impairment losses on financial assets; (ii) employee expenses, which mainly include salaries and welfare of our senior management and business operations and administration staff; (iii) professional fees, which primarily include service fees incurred for the potential A-share listing and consultancy services incurred for our operations such as costs in relation to environmental impact assessment reports in relation to our production facilities, tax consultancy services etc; (iv) listing expenses in connection with our H-share listing; (v) share-based payment expenses in relation to certain share award scheme adopted for purposes of providing incentives to our senior management and business operations and administration staff; (vi) depreciation and amortization; (vii) rental and property management fees; (viii) meal expenses, primarily represent costs incurred for our staff canteen; (ix) travel and entertainment expenses; and (x) repair and consumable expenses.

The following table sets forth a breakdown of the components of our administrative and other operating expenses for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Provision/(reversal of provision) for impairment losses on financial assets	910	2.1	9,566	12.9	45,040	39.6	42,788	62.6	(14,081)	(93.9)
Employee expenses	15,420	36.4	24,070	32.4	29,913	26.3	11,456	16.8	11,161	74.4
Professional fees	7,662	18.1	6,764	9.1	4,058	3.6	1,140	1.7	2,142	14.3
Listing expenses	—	—	—	—	3,393	3.0	—	—	2,744	18.3
Share-based payment expenses	2,055	4.8	6,173	8.3	6,917	6.1	1,886	2.8	4,016	26.8
Depreciation and amortization	4,576	10.8	6,268	8.4	6,494	5.7	3,123	4.6	3,006	20.0
Rental and property management fees	1,584	3.7	4,868	6.5	5,087	4.5	2,293	3.4	1,888	12.6
Meal expenses	2,197	5.2	4,957	6.7	2,915	2.6	1,297	1.9	1,109	7.4
Travel and entertainment	1,884	4.4	2,155	2.9	2,838	2.5	1,345	2.0	1,525	10.2
Repair and consumable expenses	1,713	4.0	1,620	2.2	1,780	1.6	1,048	1.5	184	1.2
Others[(1)]	4,413	10.4	7,921	10.7	5,164	4.5	1,870	2.7	1,299	8.7
Total	**42,414**	**100.0**	**74,362**	**100.0**	**113,599**	**100.0**	**68,246**	**100.0**	**14,993**	**100.0**

Note:

(1) Others mainly include office expenses, insurance expenses, recruitment expenses and other miscellaneous administrative expenses.

R&D Expenses

Our R&D expenses primarily consist of (i) employee expenses, which mainly include salaries and welfare of our R&D staff; (ii) material costs used in our R&D projects; (iii) depreciation and amortization; (iv) share-based payments in relation to the share award scheme we adopted for the purpose of providing incentives to our employees; (v) fuel and power expenses; and (vi) testing and certification expenses.

The following table sets forth a breakdown of the components of our R&D expenses for the years/periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Employee expenses	9,047	30.9	11,462	20.7	15,263	25.0	6,224	20.5	5,599	28.2
Material costs	6,635	22.7	17,686	32.0	14,197	23.3	9,600	31.7	6,176	31.1
Depreciation and amortization	3,125	10.7	8,750	15.8	13,915	22.8	7,097	23.4	3,117	15.7
Share-based payments	3,056	10.5	3,866	7.0	4,913	8.0	1,802	5.9	2,924	14.7
Fuel and power expenses	2,092	7.2	3,635	6.6	4,313	7.1	1,925	6.3	652	3.3
Testing and certification expenses	2,107	7.2	2,734	4.9	1,320	2.2	349	1.2	623	3.1
Others[(1)]	3,173	10.8	7,210	13.0	7,111	11.6	3,342	11.0	783	3.9
Total	**29,235**	**100.0**	**55,343**	**100.0**	**61,032**	**100.0**	**30,339**	**100.0**	**19,874**	**100.0**

Note:

(1) Others mainly include transportation expenses, consulting service fees, business conference expenses, office expenses and patent related expenses.

Finance Costs

Our finance costs consist of (i) interest expenses on bank loans and other borrowings, (ii) interest expenses on loan from related parties; and (iii) interest expenses on lease liabilities.

The following table sets forth a breakdown of the components of our finance costs for the years/periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on					
— bank loans and other borrowings	6,239	19,897	41,953	14,156	26,511
— loan from related parties	487	—	—	—	—
— lease liabilities	790	2,287	2,739	1,180	1,052
Less: interest expense capitalized into property, plant and equipment	—	(2,308)	(10,141)	(3,279)	(7,693)
Total	**7,516**	**19,876**	**34,551**	**12,057**	**19,870**

Income Tax

Our income tax expense was RMB0.9 million, RMB15.1 million and RMB2.1 million in 2022 and 2023 and for the five months ended May 31, 2025, respectively, and our income tax credit was RMB89.0 million in 2024.

The income tax provision of the Company was principally calculated at the tax rate of 25% on the taxable income during the Track Record Period in accordance with the EIT Law, except for that our Company and Southern Semiconductor were qualified as the High and New Technology Enterprise ("**HNTE**") and entitled to a preferential tax rate of 15% until 2025 and 2027, respectively. Hengxin Research Institute was qualified as the Small and Micro Enterprise and entitled to a preferential tax rate of 5% in 2022, 2023 and 2024. Our Company and Southern Semiconductor were also entitled to additional 100% tax deduction on their eligible R&D expenses during the Track Record Period.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

DISCUSSION OF RESULTS OF OPERATIONS

Five months ended May 31, 2025 Compared to five months ended May 31, 2024

Revenue

Our revenue decreased by 13.6% from RMB297.3 million for the five months ended May 31, 2024 to RMB256.8 million for the five months ended May 31 2025, primarily due to a decrease in revenue generated from sales of self-manufactured SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 23.3% from RMB292.7 million for the five months May 31, 2024 to RMB224.6 million for the five months May 31, 2025, primarily due to a decrease in selling prices of SiC epitaxial wafers, as we have continued to flexibly reduce our selling prices in response to the change in market condition so as to maintain our industry position and gain market share.

Our revenue generated from other sales and services increased by 605.4% from RMB4.6 million for the five months ended May 31, 2024 to RMB32.3 million for the five months ended May 31, 2025, mainly due to an increase in provision of foundry services as a result of the increased volume of SiC epitaxial wafers we processed.

Cost of Sales

Our cost of sales decreased by 38.6% from RMB324.3 million for the five months ended May 31, 2024 to RMB199.1 million for the five months ended May 31, 2025 primarily attributable to (i) a turnaround from provision for inventories made for the five months ended May 31, 2024 as compared with reversal of provision for inventories provision during the five months ended May 31, 2025; (ii) increase in sales volume resulting from our increased sales of 6-inch and 8-inch SiC epitaxial wafers which led to economies of scale; and (iii) decreased purchase cost due to domestic substitution.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB57.8 million for the five months ended May 31, 2025 as compared with a gross loss of RMB27.1 million for the five months ended May 31, 2024. Our gross profit margin increased to 22.5% for the five months ended May 31, 2025 as compared with a gross loss margin of 9.1% for the five months May 31, 2024.

Other Net Income

Our other net income increased from RMB7.7 million for the five months ended May 31, 2024, to RMB15.3 million for the five months ended May 31, 2025, primarily due to an increase in government grants by RMB9.2 million primarily in relation to subsidies to SiC epitaxial wafer related R&D and development of our Company to increase our competitiveness.

Selling and Distribution Expenses

Our selling and distribution expenses slightly decreased to RMB6.7 million for the five months ended May 31, 2025 from RMB6.9 million for the five months ended May 31, 2024 despite our substantial increase in our sales volume of SiC epitaxial wafers during the five months ended May 31, 2025.

Administrative and Other Operating Expenses

Our administrative and other operating expenses substantially decreased by 78.1% from RMB68.2 million for the five months ended May 31, 2024 to RMB15.0 million for the five months ended May 31, 2025, primarily due to a change of provision for impairment losses on financial assets of RMB42.8 million for the five months ended May 31, 2024 to the reversal of provision for impairment losses on financial assets of RMB14.1 million upon settlement on the aged trade receivables during the five months ended May 31, 2025 after our effort to closely monitoring our outstanding receivables and followed up our overdue trade receivables during the period.

R&D Expenses

Our R&D expenses decreased by 34.5% from RMB30.3 million for the five months ended May 31, 2024 to RMB19.9 million for the five months ended May 31, 2025, primarily due to (i) a decrease in material costs by RMB3.4 million due to a general decrease in price level of raw materials used in our R&D projects; and (ii) a decrease of depreciation and amortization by RMB4.0 million as the fixed costs allocated for R&D project decreased in accordance with the decreased proportion of time consumed for R&D projects as compared with the time consumed for production of SiC epitaxial wafers on certain shared our plants and equipment in light of increase in production volume for the five months ended May 31, 2025 as compared with that for the five months ended May 31, 2024.

Finance Costs

Our finance costs increased from RMB12.1 million for the five months ended May 31, 2024 to RMB19.9 million for the five months ended May 31, 2025, primarily due to an increase in interest expenses on bank loans and other borrowings of RMB13.7 million as we drew down bank loans and other borrowings mainly for our Ecological Park production base and purchases of equipment. We recorded interest expenses capitalized into property, plant and equipment of RMB7.7 million for the five months ended May 31, 2025 in relation to the construction of Ecological Park production base.

Profit for the Period

As a result of the foregoing, we recorded a profit of RMB9.5 million for the five months ended May 31, 2025 as compared with a loss of RMB114.8 million we recorded in previous period.

2024 Compared to 2023

Revenue

Our revenue decreased by 55.6% from RMB1,171.2 million in 2023 to RMB519.6 million in 2024, primarily due to a decrease in revenue generated from sales of self-manufactured SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 57.0% from RMB1,127.1 million in 2023 to RMB484.4 million in 2024, primarily due to a decrease in selling prices of SiC epitaxial wafers, as we strategically reduced our selling prices to improve market penetration amid a temporary industry oversupply. Our revenue was also affected by decreased sales volume mainly owing to changes in U.S. trade policy.

Our revenue generated from other sales and services decreased by 20.2% from RMB44.1 million in 2023 to RMB35.2 million in 2024, mainly due to a decrease in sales of suboptimal products. In 2023, as SiC epitaxial wafer manufacturers accelerated capacity expansion, the demand of low-cost epitaxial wafers for testing the facilities became higher, leading to higher sales of suboptimal products in 2023.

Cost of Sales

Our cost of sales decreased by 6.3% from RMB954.6 million in 2023 to RMB894.0 million in 2024, primarily attributable to a decrease in material costs and manufacturing costs as our sales volume decreased during the year, partially offset by an increase in provision for write-down of inventories in light of the decreased market prices of SiC epitaxial wafer products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased significantly from RMB216.6 million in 2023 to a gross loss of RMB374.4 million in 2024. We recorded a gross profit margin of 18.5% in 2023 and a gross loss margin of 72.0% in 2024. Such change was primarily reflecting (i) an increase in provision for write-down of inventories from RMB21.3 million in 2023 to RMB315.1 million in 2024 to reflect a decrease of market prices of SiC epitaxial wafer products; (ii) a decrease in selling prices of our epitaxial wafers mainly driven by market conditions; and (iii) a general increase in our average cost of products as our production volume decreased and fixed costs increased as a result of the ramp-up of the new production lines.

Other Net Income

Our other net income decreased by 76.1% from RMB55.9 million in 2023 to RMB13.4 million in 2024, primarily due to (i) a decrease of compensation income of RMB21.6 million in relation to our supplier's failure to deliver our order timely, which was one-off income recognized in 2023; (ii) a decrease in government grants of RMB16.5 million. We receive government grants from time to time mainly to support our various R&D projects; and (iii) a decrease in net foreign exchange gain of RMB2.3 million as a result of a decrease in our overseas sales denominated in US dollars as RMB depreciated against US dollars during the period.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 59.1% from RMB12.0 million in 2023 to RMB19.0 million in 2024, primarily due to (i) an increase in sample fees of RMB3.2 million, which were incurred to attract new customers and promote our products; and (ii) an increase in share-based payment expenses related to our share award scheme.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 7.9% from RMB74.4 million in 2023 to RMB113.6 million in 2024, primarily due to (i) an increase in provision for impairment losses on financial assets of RMB35.5 million, mainly arising from trade receivables from certain downstream customers whose operational performance had deteriorated; and (ii) an increase in employee expenses of RMB5.8 million, reflecting an expansion of our administrative workforce to support our business and an increase in average compensation paid to them.

R&D Expenses

Our R&D expenses increased by 10.3% from RMB55.3 million in 2023 to RMB61.0 million in 2024, respectively, which was primarily due to (i) an increase in depreciation and amortization of RMB5.2 million in relation to more depreciation allocated to our R&D activities based on the usage of our production facilities; and (ii) an increase in employee expenses of RMB3.8 million mainly due to an increase in our headcount; partially offset by (iii) a decrease in material costs of RMB3.5 million, reflecting an decreased raw materials used in our R&D projects, as our R&D projects entered into different phases and required less materials.

Finance Costs

Our finance costs increased by 73.8% from RMB19.9 million in 2023 to RMB34.6 million in 2024, primarily due to an increase in interest expenses on bank loans and other borrowings of RMB22.1 million as we drew down bank loans and other borrowings primarily for construction of our Ecological Park production base and purchases of equipment. We recorded interest expenses capitalized into property, plant and equipment of RMB10.1 million in relation to the construction of Ecological Park production base.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a profit of RMB95.9 million in 2023 and a loss of RMB500.3 million in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased significantly from RMB436.9 million in 2022 to RMB1,171.2 million in 2023, primarily due to an increase in our revenue generated from sales of self-manufactured SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB398.3 million in 2022 to RMB1,127.1 million in 2023, primarily due to an increase in our sales volume of SiC epitaxial wafers driven by our increased production capacity and downstream market demand.

Our revenue generated from other sales and services increased by 14.5% from RMB38.5 million in 2022 to RMB44.1 million in 2023, primarily due to an increased revenue from sales of suboptimal products to our downstream customers and provision of value-added services.

Cost of Sales

Our cost of sales increased significantly from RMB349.4 million in 2022 to RMB954.6 million in 2023, primarily attributable to the increases in material costs, manufacturing costs and labor costs, generally in line with the increase in our sales volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB87.5 million in 2022 to RMB216.6 million in 2023. Our gross profit margin decreased from 20.0% in 2022 and 18.5% in 2023 primarily due to (i) an increase in fixed costs associated with the ramp-up of new production line launched in 2023; and (ii) a decrease in our selling prices of our 6-inch epitaxial wafers as we strategically reduced our price to gain market shares, which offset the impact of a change in product mix, as the sales volume of our 6-inch epitaxial wafers, which generally carried higher profit margin, continued to rise.

Other Net Income

Our other net income increased significantly from RMB3.5 million in 2022 to RMB55.9 million in 2023, primarily due to (i) an one-off compensation income of RMB21.6 million from a supplier in respect of its failure to deliver our orders timely in 2023. See "— Description of Major Components of Our Results of Operations — Other Net Income" for details; (ii) an increase in government grants of RMB21.2 million in relation to SiC epitaxial wafer-related research and subsidies for development of the Company to increase its competitiveness; and (iii) our recording of net foreign exchange gain of RMB3.3 million as compared to net foreign exchange loss of RMB3.2 million in 2022, mainly arising from increased overseas sales denominated in US dollars as a result of depreciation of RMB against US dollars in 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 47.6% from RMB8.1 million in 2022 to RMB12.0 million in 2023, primarily due to (i) an increase in employee expenses of RMB1.6 million as a result of an increase in number of sales and marketing staff and an increase in average compensation paid to our sales and marketing staff as an effort to expand our business; (ii) an increase in sample fees of RMB1.2 million to new customers or for product promotion; (iii) an increase in travel expenses of RMB0.6 million; and (iv) an increase in share-based payment expenses of RMB0.5 million.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 75.3% from RMB42.4 million in 2022 to RMB74.4 million in 2023, primarily due to (i) an increase in provision for impairment losses on financial assets of RMB8.7 million as our trade receivables increased; (ii) an increase in employee expenses of RMB8.7 million as a result of an increase in the number of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (iii) an increase in share-based payment expenses of RMB4.1 million; (iv) an increase in rental and property management fees of RMB3.3 million staff dormitories to cope with our increase in headcount; and (v) an increase in meal expenses of RMB2.8 million in relation to increase in our headcount.

R&D Expenses

Our R&D expenses increased by 89.3% from RMB29.2 million in 2022 to RMB55.3 million in 2023, primarily due to (i) an increase in material costs of RMB11.1 million due to increased raw materials used in our R&D projects as the number of projects increased; (ii) an increase in depreciation and amortization of RMB5.6 million as the number of projects increased resulting in more fixed costs allocated to R&D expenses; (iii) an increase in other R&D expenses of RMB4.0 million, as the number of projects increased; and (iv) an increase in employee expenses of RMB2.4 million as a result of an increase in the number of our R&D staff to support our business growth and an increase in average compensation paid to our R&D staff.

Finance Costs

Our finance costs increased significantly from RMB7.5 million in 2022 to RMB19.9 million in 2023, primarily due to an increase in interest expenses on bank loans and other borrowings of RMB13.7 million as we drew down bank loans and other borrowings mainly for purchases of equipment. We recorded interest expenses capitalized into property, plant and equipment of RMB2.3 million in 2023 in relation to the construction of Ecological Park production base.

Profit for the Year

We recorded a profit of RMB2.8 million in 2022 and RMB95.9 million in 2023. The significant increase in our profitability was mainly attributable to the significant sales performance in 2023 as we capitalized on the growing market demand through expansion of our production capacity to meet the rising orders during the year.

DISCUSSION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consist of (i) construction in progress, mainly representing buildings, leasehold improvements, machinery and equipment of Ecological Park production base under construction; (ii) machinery and equipment, representing machinery and equipment used in R&D and production of SiC epitaxial wafers; (iii) leasehold improvements; (iv) office equipment and others; and (v) vehicles.

The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction in progress	179,936	368,536	1,271,589	1,477,878
Machinery and equipment	224,173	968,728	1,016,610	968,454
Leasehold improvements	7,919	50,022	41,813	41,185
Office equipment and others	2,066	2,863	8,029	7,288
Vehicles	1,202	947	697	592
Total	**415,296**	**1,391,096**	**2,338,738**	**2,495,397**

Our property, plant and equipment increased from RMB415.3 million as of December 31, 2022 to RMB1,391.1 million as of December 31, 2023 and RMB2,338.7 million as of December 31, 2024 and to RMB2,495.4 million as of May 31, 2025, primarily due to additions of construction in progress in relation to our Ecological Park production base; partially offset by depreciation charged in the respective year/period.

Right-of-use Assets

Our right-of-use assets include (i) leasehold land, representing the land use rights on two parcels of land in the PRC; and (ii) leased properties, representing premises used as our offices, plant and R&D base. Our right-of-use assets increased from RMB96.6 million as of December 31, 2022 to RMB205.4 million as of December 31, 2023, primarily due to addition of land use right of a R&D base in Songsanhu and a new lease of properties used as our office and production base. Our right-of-use assets decreased from RMB205.4 million as of December 31, 2023 to RMB195.9 million as of December 31, 2024, primarily due to the depreciation charged during the year. Our right-of-use assets decreased to RMB191.7 million as of May 31, 2025, primarily due to the depreciation charged during the period.

Inventories

Our inventories consist of (i) raw materials, mainly including SiC substrates; (ii) semi-finished products and work in progress; and (iii) finished goods. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amount of inventories				
Raw materials	49,852	274,275	332,103	94,798
Semi-finished products and work in progress	37,589	64,339	88,541	107,466
Finished goods	46,814	101,887	114,568	74,622
Sub-total	134,255	440,501	535,212	276,886
Less: Provision for write-down of inventories				
Raw materials	10,984	6,343	202,115	70,476
Semi-finished products and work in progress	12,895	21,962	64,619	59,025
Finished goods	20,489	17,648	85,079	48,435
	44,368	45,953	351,813	177,936
Inventories, net of provision for write-down				
Raw materials	38,868	267,932	129,888	24,322
Semi-finished products and work in progress	24,694	42,377	23,922	48,441
Finished goods	26,325	84,239	29,489	26,187
Total	**89,887**	**394,548**	**183,399**	**98,950**

The following table sets forth the inventories, net of provision for write-down of inventories, by major inventory types as of the dates indicated:

	As of December 31,											
	2022			2023			2024			2025		
	Quantity	Amount *(RMB'000)*	Average unit price *(RMB)*	Quantity	Amount *(RMB'000)*	Average unit price *(RMB)*	Quantity	Amount *(RMB'000)*	Average unit price *(RMB)*	Quantity	Amount *(RMB'000)*	Average unit price *(RMB)*
Raw material												
4-inch substrates	1,437	145	100.9	770	126	164	1,221	—	—	1,653	—	—
6-inch substrates	4,615	22,028	4,773.1	46,740	240,016	5,135	67,725	99,323	1,467	18,955	6,569	347
8-inch substrates	55	1,889	34,345.5[2]	123	1,933	15,715[2]	1,907	9,066	4,754	394	910	2,310
Other raw materials and consumables	N/A	14,806		N/A	25,857		N/A	21,599		N/A	16,843	
	6,107	38,868		47,633	267,932		70,853	129,988		21,002	24,322	
Semi-finished products and work in progress												
4-inch epitaxial wafers	1,937	71	36.7	1,980	67	34	2,151	—	—	1,948	—	—
6-inch epitaxial wafers	5,853	24,623	4,206.9	11,966	41,584	3,475	13,824	19,117	1,383	23,275	45,647	1,961
8-inch epitaxial wafers	—	—		44	726	16,500[2]	763	4,805	6,298	1,613	2,794	1,732
	7,790	24,694		13,990	42,377		16,738	23,922		26,836	48,441	
Finished goods												
4-inch epitaxial wafers	5,664	29	5.1	3,009	27	9	2,182	—	—	2,632	—	—
6-inch epitaxial wafers	2,295	14,628	6,373.9	12,760	72,543	5,685	12,347	20,402	1,652	8,879	16,754	1,887
8-inch epitaxial wafers	—	—		7	117	16,714[2]	130	845	6,500	563	1,500	2,664
Other inventories[1]	N/A	11,668		N/A	11,552		N/A	8,242		N/A	7,933	
	7,959	26,325		15,776	84,239		14,659	29,489		12,074	26,187	
Total	**21,856**	**89,887**		**77,399**	**394,548**		**102,250**	**183,399**		**59,912**	**98,950**	

Note:

(1) Primarily included semiconductor devices held by Southern Semiconductor.

(2) The prices of these 8-inch related inventories were relatively high as we only purchased a small quantity of them from Supplier A without bulk purchase discount, and the specification requirements of these inventories were relatively high, and thus their unit cost was high.

Our inventories increased from RMB89.9 million as of December 31, 2022 to RMB394.5 million as of December 31, 2023, primarily due to increased purchases of raw materials in anticipation of customers' orders. Our inventories decreased to RMB183.4 million as of December 31, 2024, primarily due to write-down made to our products in light of the decreasing market price trend of our products. We considered a number of factors including market prices of our products subsequent to the year end and subsequent purchase costs of raw materials and accordingly recorded significant inventory provision in 2024.

Despite the decreased procurement volume in 2024 as compared to 2023, the inventory level of 6-inch materials remained high due to a slowed consumption, which was as a result of a significant decline in sales performance in 2024. As of May 31, 2025, our inventory level reduced to RMB99.0 million after a series of measures taken by us, including giving priorities to using or selling long-aged inventories minimizing purchases of new inventories if the existing ones could satisfy our customers' requests and making strategic supply management arrangement to enabling suppliers renting our warehouse to store their inventories so as to allow us to have immediate access to materials. Details of these measures and our inventory management are set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Exploring New Strategic Supply Chain Arrangement." "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Strengthening Our Inventory Management" and "Business — Inventory Management."

Details of reasons for the accumulation of inventories during the Track Record Period is set out below.

Accumulation of Inventories During the Track Record Period

Throughout the Track Record Period, our inventories continued to increase as we purchased raw materials to fulfil our customers' orders. In particular, we made significant purchases of raw materials in 2023 in view of orders received and the then market conditions, as evidenced by the significant revenue of RMB1,171.2 million we achieved in 2023, which represented a growth of 168.1% as compared to RMB436.9 million in 2022.

Continuing the trend of 2023, during the first half of 2024, we continued to purchase a relatively substantial amount of inventories in anticipation of increasing customers' orders. The purchase cost of the raw materials before around mid-2024 was relatively higher, resulting in higher inventory amount at that time. During the first half of 2024, we achieved revenue from sales of self-manufactured SiC epitaxial wafers amounted to RMB355.6 million and sales volume of 46,088 pieces. As of June 30, 2024, we had gross inventory balance of RMB626.7 million in anticipation of the sales orders in the second half of 2024.

Following earlier periods of supply shortage and strong demand visibility, in order to mitigate risks of material shortage which may lead to failure to fulfill our customers' orders or loss of orders, during 2023 and the first half of 2024, we generally purchased our raw materials in advance based on the then available forecast of orders and our production capacity before actual sales orders were secured and confirmed. However, since around mid-2024, as a result of the impact of change of internal procurement policy due to the changes in U.S. trade policy affecting certain semiconductor imports from China, Customer J, ceased to purchase SiC epitaxial wafers from us.

In response to the situation, we started to reduce relevant purchase of raw materials and prioritize the usage of existing inventories in fulfilling future customers' orders in the second half of 2024. Having said that, we would still purchase raw materials from time to time if the market price of the raw materials is acceptable and the purchase of the same is necessary to fulfill customers' need. With our continuous effort, and the adoption of our new strategy supply chain arrangement, details of which are set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Exploring New Strategy Supply Chain Arrangement," we managed to substantially reduce our inventories level to RMB99.0 million as of May 31, 2025 from RMB183.4 million as of December 31, 2024.

Provision for Write-Down of our Inventories

Provision for write-down of inventories is recorded when estimated net realizable value is less than cost. In determining write-down of inventories, we consider factors such as, inventory aging, forecast product demands, historical pricing trends and anticipated market prices of our products. In light of the decreasing market price of our raw materials and products, our management has taken significant steps to exercise due care in assessing the value of our inventories as of the end of each reporting period. This proactive approach involved conducting thorough and ongoing reviews and adjustments to ensure that inventories valuation accurately reflect current market conditions. We have implemented analytical methods to evaluate potential impairment risks, focusing on both quantitative data and qualitative factors that could affect inventory value including subsequent selling prices and demands. In 2022, 2023 and 2024, we recorded provision for write-down of inventories of RMB14.7 million, RMB21.3 million and RMB315.1 million, respectively. For the five months ended May 31, 2025, we recorded a reversal of write down of inventories of RMB31.0 million primarily due to the return of certain non-conforming inventories to a supplier, the right in which was stipulated in the agreement entered between us and this supplier.

As of May 31, 2025, we had made full provision for write-down of 4-inch SiC epitaxial wafer-related inventories due to the obsolescence of 4-inch SiC epitaxial wafers. We consider the provisions for write-down of 6-inch and 8-inch SiC epitaxial wafer-related inventories are reasonable after taking into account the recent market prices of relevant inventories. In particular, the ASP of our 6-inch products and 8-inch products have fallen under the stabilized market price range.

As of September 30, 2025, approximately 82.2% and 76.6% of inventories aged over one year as of December 31, 2024 and May 31, 2025, respectively, had been utilized or sold. The decrease in the subsequent utilization rate is primarily because inventories as of May 31, 2024 not yet utilized up to May 31, 2025 became aged over one year as of May 31, 2025.

Inventories Aging Analysis

The following table sets forth the aging analysis of our inventories, before taking into account any provision for write-down of inventories, as of the dates indicated:

	As of December 31,			Subsequent utilization up to September 30,		As of	Subsequent utilization	
	2022	2023	2024	2025		May 31, 2025	up to September 30, 2025	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Within 1 year								
4-inch epitaxial wafer-related	5,811	837	1,278	1,278	100	1,408	388	27.6
6-inch epitaxial wafer-related	59,509	338,078	275,587	269,220	97.7	75,117	67,626	90.0
8-inch epitaxial wafer-related	1,717	2,803	22,694	21,132	93.1	8,445	6,336	75.0
Others	16,401	30,190	16,224	741	4.6	12,860	2,359	18.3
Sub-total	83,439	371,908	315,783	292,371	92.6	97,830	76,709	78.4
Over 1 year								
4-inch epitaxial wafer-related	20,136	16,960	15,911	15,911	100	16,621	15,001	90.3
6-inch epitaxial wafer-related	10,881	34,740	175,125	163,358	93.3	132,412	120,841	91.3
8-inch epitaxial wafer-related	172	47	463	404	87.2	1,004	864	86.0
Others	19,628	16,846	27,930	776	2.8	29,019	460	1.6
Sub-total	50,816	68,593	219,429	180,449	82.2	179,056	137,166	76.6
Total	**134,255**	**440,501**	**535,212**	**472,820**	**88.3**	**276,886**	**213,875**	**77.2**

As of December 31, 2022, 2023 and 2024, we had inventories aged over 1 year of RMB50.8 million, RMB68.6 million and RMB219.4 million. The significant increase in inventories of aged over 1 year was mainly due to a slowed consumption in 2024, which was as a result of a significant decline in sales performance in the same year. Given that our epitaxial wafer products do not generally have an expiry date and can be stored for extended periods under proper conditions, we believe that our inventories could be utilized to fulfill future orders and did not have any recoverability issues.

As of May 31, 2025, our inventories aged over 1 years reduced to RMB179.1 million as we have continued to strengthen our inventory management which was adopted to enhance our cost-effectiveness in inventory management, details of which are set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Exploring New Strategic Supply Chain Arrangement" and "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Strengthening Our Inventory Management."

Subsequent Utilization of our Inventories

As of May 31, 2025, our finished goods included 2,632 pieces, 8,879 pieces and 563 pieces of 4-inch, 6-inch and 8-inch epitaxial wafers with a total gross carrying value of RMB55.2 million. Among our finished goods of SiC epitaxial wafers, 207 pieces of 4-inch, 2,868 pieces of 6-inch and 421 pieces of 8-inch epitaxial wafers, were backed by actual sales orders.

The remaining finished goods which were not backed by sales orders were primarily a result of buffer production associated with previous orders to mitigate risks associated with yield fluctuations and anticipated order demands, ensuring timeliness and reliability in satisfying customers' orders. Our management believes that the remaining finished goods of epitaxial wafers could be used to fulfil orders from other customers, given that (i) although our epitaxial wafers are customized to meet specific customer requirements, their fundamental specifications are generally classified into a few major types, making them suitable for a wide range of applications across customers in various industries; and (ii) our epitaxial wafer products do not generally have an expiry date and can be stored for extended periods under proper conditions, ensuring their availability for future orders. If necessary, the epitaxial layer can be removed, allowing us to reuse the substrate for new epitaxial growth, thereby maximizing the value of our resources.

As a result of our efforts to prioritize the usage of long-aged inventories, up to September 30, 2025, 90.3%, 91.3% and 86.0% of our 4-inch, 6-inch and 8-inch epitaxial wafer-related inventories aged over one year as of May 31, 2025, respectively, were utilized or sold. Up to September 30, 2025, our 4-inch, 6-inch and 8-inch epitaxial wafer-related inventories aged over one year in aggregated amount of RMB136.7 million, representing 91.1% of the corresponding gross amount of such inventories as of the same date, were utilized or sold. Among the inventories as of May 31, 2025, RMB213.9 million of our inventories, representing 77.2%, had been utilized or sold as of September 30, 2025.

Subsequent to the Track Record Period and up to September 30, 2025, we had utilized 95.9% of the SiC epitaxial wafer-related inventories as of December 31, 2024, and 92.3% of the SiC epitaxial wafer-related inventories aged over one year as of December 31, 2024.

We have continuously received orders from customers from a wide of industries requesting our 4-inch, 6-inch and 8-inch epitaxial wafer-related inventories. For customers who do not require high-performing 8-inch epitaxial wafers, they would purchase 6-inch or even 4-inch epitaxial wafer-related inventories, which could meet their requirements at a comparatively low price, as compared to 8-inch epitaxial wafers. We believe, and the continuous utilization pattern of our epitaxial wafer-related inventories during the first half of 2025 supports, that we will continue to utilize our long-aged 4-inch, 6-inch and 8-inch epitaxial wafer-related inventories.

As of May 31, 2025, we made (i) provision for write-down of 4-inch SiC epitaxial wafer-related inventories amounted to RMB18.0 million due to uncertainties in connection with the future demand of 4-inch SiC epitaxial wafers in light of decreasing demand of 4-inch SiC epitaxial wafers against the expectation that 8-inch epitaxial wafers are a key trend for the future SiC epitaxial wafer industry; and (ii) provision of RMB138.6 million and RMB4.2 million for write-down of 6-inch and 8-inch SiC epitaxial wafer-related inventories, respectively as a result of the continued decrease in market price of the 6-inch and 8-inch SiC epitaxial wafer-related inventories.

Having considered that: (i) our inventories were stated at the lower of the cost and the net realizable values as of May 31, 2025 in accordance with our accounting policy; (ii) our stocks in general do not have expiry date; (iii) we had been selling our long-aged stocks from time to time; and (iv) the Directors noted that the market prices of SiC epitaxial wafers have not materially fluctuated since May 31, 2025 and would not experience a material price fluctuation until the end of 2025, according to Frost & Sullivan. Therefore, we are of the view that we have made sufficient provision on our inventories as of May 31, 2025.

We had considered sufficient provision to write down such inventories to reflect their realizable values. Despite that we expect there will be demand from customers on our 4-inch wafers, for the sake of prudence, we had made full provision of our 4-inch epitaxial wafer-related inventories having considered the marketability of the 4-inch products, which would be gradually phased out by larger-sized epitaxial wafer products.

We will continue to prioritize the usage of existing inventories in fulfilling future customers' orders and to continue to strengthen our inventory management and our inventory controls, details of which are set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Exploring New Strategic Supply Chain Arrangement" and "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Strengthening Our Inventory Management."

Inventory Turnover Days

The following table sets forth the inventory turnover days for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2022	2023	2024	2025
Inventory turnover days[(1)]	144	113	308	267

Note:

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance, before considering any write-down of inventories, divided by the cost of inventories for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days for a full year end or 151 days for the five months ended May 31, 2025.

Our inventory turnover days decreased from 144 days in 2022 to 113 days in 2023, due to our increased sales. Our inventory turnover days further increased from 113 days in 2023 to 308 days in 2024, mainly due to (i) a decline in our sales performance in 2024, especially sales to overseas in light of trade tensions; and (ii) an increase in inventories mainly related to 6-inch substrates as of December 31, 2024. Our inventory turnover day decreased to 267 days for the five months ended May 31, 2025, primarily due to our implementation of a new strategic supply chain arrangement since December 2024 so as to enabling us to have immediate access to materials when we need for our production. See "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve Operational Efficiency and Capital Management — Exploring New Strategic Supply Chain Arrangement."

Measures to strengthening our inventory management and mitigate impairment risk of our inventories

In order to better manage our inventories level and mitigate further impairment on our inventories, we have implemented the following measures:

(1) We will prioritize to utilize our existing inventories as much as we could to reduce our holding of long-aged inventories. Our purchasing department would hold weekly meeting with our sales department obtaining information regarding confirmed sales orders placed by our downstream customers. Our purchasing department will go through our existing inventories with a view to prioritize utilization of our existing inventories, and only make new purchases if the existing inventories could not fulfil our customers' requirements;

(2) During the Track Record Period, in light of strong demand of SiC substrates, we had placed our orders based on the forecast sales in order to ensure that we have sufficient SiC substrates for our production. Now, our purchasing department will only place orders with our suppliers when the sales orders are confirmed by our customers, and at a prevailing market price of SiC substrates at the time of placing order with our suppliers. It would communicate with suppliers continuously to ensure that they will have sufficient inventories for meeting our requirements;

(3) As we have switched to using domestic suppliers in the PRC and made our strategic arrangement with our key suppliers to set up their warehouses in our premises, these have substantially reduced our purchase lead time for effective order management; and

(4) At the weekly meeting between the purchasing department and the sales department, the current market information of the SiC substrates and the SiC epitaxial wafers would be shared so as to enable us to take any reactive actions to the changing market conditions on a timely basis.

We believe the above inventory management measures provide agility to us in navigating the inherently cyclical semiconductor industry and to minimize future substantial inventory write-downs going forward.

We believe our implementation of the enhanced inventory management measures and our effort to reduce our inventory level as much as we could since December 2024 is effective after considering the follow principal factors:

1. *Decrease in the inventory turnover days*. We have seen improvement in our inventory turnover days. For the five months ended May 31, 2025, we recorded inventory turnover days of 267 days, showing an improvement from the inventory turnover days in 2024, being 308 days. Moreover, our inventory turnover days has been further decreased to 219 days for the nine months ended September 30, 2025 based on relevant unaudited management accounts;

2. *Most of long-aged inventories as of December 31, 2024 has been utilized*. Subsequent to the Track Record Period and up to September 30, 2025, we had utilized 95.9% of the SiC epitaxial wafer-related inventories as of December 31, 2024, and 92.3% of the SiC epitaxial wafer-related inventories aged over one year as of December 31, 2024; and

3. *Continuous domestic substitution of our purchase*. For the five months ended May 31, 2025, our purchase amount from PRC-based suppliers accounted for 99.8% of our total purchase amount of raw materials while there was no material change on our domestic substitution approach subsequent to May 31, 2025 and up to the Latest Practicable Date.

Trade and Bills Receivables

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of SiC epitaxial wafers. The credit period granted to our customers was generally 15 days to 180 days from the date of billing. Our bills receivables primarily represent bank acceptance bill from our customers. The following table sets forth our trade and bills receivables, as of the dates indicated:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— Third Parties	184,228	306,557	156,777	339,407
— Related party	—	—	1,954	4,174
Bills receivables				
— Third Parties	12,254	55,343	45,232	37,552
— Related party	—	—	—	1,182
Less: loss allowance	(2,049)	(11,477)	(56,425)	(42,312)
Trade and bills receivables, net of loss allowance	194,433	350,423	147,538	340,003

Our trade and bills receivables increased from RMB194.4 million as of December 31, 2022 to RMB350.4 million as of December 31, 2023, generally in line with the increase in revenue. Our trade and bills receivables decreased to RMB147.5 million as of December 31, 2024, primarily due to a decrease in revenue in 2024, as well as our efforts to collect the outstanding trade receivables from our customers towards to the year end. As of December 31, 2024, we had trade receivables due from a related party, Shenzhen Brilliant Technology Co., Ltd. of RMB2.0 million arising from sales of semiconductor devices and provision of other services. Our trade and bills receivables increased to RMB340.0 million as of May 31, 2025, primarily due to more sales recorded in the last two months prior to the period end in 2025 as compared with the last two months prior to the year end in 2024. The total sales recorded for April and May 2025 amounted to RMB120.9 million as compared with that for November and December 2024 of RMB79.8 million.

Our management recognizes loss allowance for expected credit losses on trade and bills receivables based on an assessment of the present value of all expected cash shortfalls between the contractual and expected amounts. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our management reassesses the loss allowance at the end of each period in the Track Record Period. As of December 31, 2022, 2023 and 2024, we had loss allowance for our trade and bills receivables of RMB2.0 million, RMB11.5 million and RMB56.4 million, respectively. The significant increase in our loss allowance as of December 31, 2023 and December 31, 2024 was primarily attributable to delay in payments by certain downstream customers due to their worsened operational performance. As of December 31, 2023 and 2024, we made individual provision for one and four of our customers, respectively. One of the customers for which loss allowance was considered on an individual basis as of May 31, 2025 was Customer F. During the six months ended June 30, 2025, we had recovered RMB20.7 million from Customer F and RMB110,000 from another customer. Our Directors consider sufficient provision for impairment of trade receivables had been made. Save for the above, we did not make provision for impairment of trade receivables for any other five largest customers in each year/period during the Track Record Period.

The following table sets forth an aging analysis of our trade and bills receivables at the end of each period of the Track Record Period, based on the revenue recognition date and net of loss allowance:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	161,239	299,443	119,429	275,100
91 to 180 days	29,666	42,940	16,209	43,020
181 days to 270 days	3,449	175	6,780	13,413
271 days to 365 days	79	267	2,008	5,704
More than one year	—	7,598	3,112	2,766
Total	**194,433**	**350,423**	**147,538**	**340,003**

As of December 31, 2022, 2023 and 2024 and May 31, 2025, we had trade and bills receivables aged from 271 days to 365 days of RMB79,000, RMB0.3 million, RMB2.0 million and RMB5.7 million, respectively. As of December 31, 2023 and 2024, and May 31, 2025, we have and trade and bills receivables aged over one year of RMB7.6 million, RMB3.1 million and RMB2.8 million, respectively, primarily due to delayed payments from downstream customers due to their worsened operational performance. Among the trade receivables that aged over 271 days as of May 31, 2025, up to September 30, 2025, RMB10.2 million, representing 21.8% of the gross trade receivables had been subsequently recovered. Among the trade receivables that aged from 180 days to 271 days as of May 31, 2025, up to September 30, 2025, RMB9.6 million, representing 67.0% of the gross trade receivables of this group, had been subsequently recovered. Despite that we offer customers of credit period of not more than 180 days, some of our customers faced operational challenged causing delay in their payments. As such, our aging of the outstanding accounts receivables longer than the credit period we originally granted to such customers. We have continuously monitored the progress of repayments by these customers, and re-assessed their repayment capabilities on a continuous basis. Our management had carefully assessed the recoverability of these outstanding balances based on the conditions of individual customers. Despite low subsequent settlements since May 31, 2025, having considered that: (i) we had on-going communication with these customers in relation to the repayment of receivables; (ii) we received settlements from time to time from these customers; (iii) we would perform regular reviews on our customers to assess their financial strength and understand any adverse change on their business condition; and (iv) we have assessed each customers individually as of May 31, 2025, and we had made specific provisions on receivables from individual customers if we are uncertain about their recoverabilities, our management believes that despite we have recoverability issues on our gross trade receivables, the provision we made under the ECL together with the specific provision made would be adequate to cover the default risks of the outstanding receivables. As such, we consider that the trade receivables (net of provision) will be recoverable.

Notwithstanding certain of our customers were facing difficulties in making payments to us due to their worsening of performance, our Directors are of the view that this would not pose a material adverse impact on our business and future demand of our products considering that: (i) we had limited dependency on these customers other than Customer F. During the Track Record Period, revenue generated from these customers amount to RMB21.5 million, RMB3.6 million, nil and RMB1,019, respectively, accounting for 4.9%, 0.3%, 0% and 0% of our total revenue for the respective year/period; (ii) Customer F has settled their outstanding receivables from time to time; (iii) we continuously acquired new customers and diversified our customer base; and (iv) the global and China's demand on the SiC power semiconductor devices are expected to have rapid development driven by the downstream markets such as new energy vehicles and 5G communications going forward, which creates opportunities for our business.

Going forward, we will continue to implement credit and receivables management policies including the following:

(i) ***Credit assessment.*** We conduct credit checks with new customers before extending payment terms. Every year, we update the credit assessment of our existing customers based on, among others, registered capital, sales amount of the past year and estimated orders. Based on our assessed risk profile, we may demand payments before delivery of our products or before production.

(ii) ***Clear payment terms.*** We set clear payment in our contract/invoices and include penalties for late payments under appropriate circumstances.

(iii) ***Regular monitoring.*** We maintain aging report to track any outstanding balances and identify customers with frequent delays or financial difficulties for further action.

(iv) ***Payment reminder and follow-ups.*** We have established formal collection schedules. Every month, our finance department prepared statement and send to our sales department, which is responsible for confirming outstanding balances with customers and sending reminders to customers.

(v) ***Customer relationships.*** Our sales team maintains close relationship with our customers to encourage timely payment. We maintain continuous communications with our customers to address any dispute or payment delays.

(vi) ***Offer payment plan and suspend future deliveries.*** In case of customers' difficulties in making payments, we discuss with them and implement installment payment options.

The table below sets forth the turnover days of our trade and bills receivables for the year/period indicated:

	Year ended December 31,			Five months ended May 31,
	2022	**2023**	**2024**	**2025**
Trade and bills receivables turnover days(1)	115	87	199	172

Note:

(1) Trade and bills receivables turnover days were calculated based on the average of opening and closing trade and bills receivables balance, before considering any loss allowance, divided by revenue for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days for a full year or 151 days for the five months ended May 31, 2025.

Our trade and bills receivables turnover days decreased from 115 days in 2022 to 87 days in 2023, due to our increased sales and the strong demand from the customers. Therefore, customers had timely settled their receivables in general. Our trade and bills receivables turnover days increased from 87 days in 2023 to 199 days in 2024, primarily attributable to an increase in trade receivable balance caused by the delayed payments from certain downstream customers due to their worsened operational performance, as well as a decrease in revenue.

Our trade and bills receivables turnover days decreased to 172 days for the five months ended May 31, 2025, primarily due to effective customer credit management measures.

We may recover our trade receivables beyond 90 days from revenue recognition, as we may issue billings to customers a few days or weeks after the deliveries of our goods depending on the circumstances. We may also extend our standard credit terms to certain customers on a case-by-case basis to maintain strong relationships.

Up to September 30, 2025, RMB106.9 million representing 31.1% of our gross trade receivables as of May 31, 2025, had been settled. Among our gross trade receivables as of December 31, 2024, trade receivables amounted to RMB81.9 million, representing 51.6% of our relevant gross trade receivables, had been settled as of September 30, 2025.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of (i) prepayments for purchase of property, plant and equipment; (ii) prepayments for materials and expenses; (iii) value added tax recoverable; and (iv) other deposits and receivables in relation to biddings and suppliers.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments for purchase of property, plant and equipment				
— third parties	219,065	347,154	194,855	85,560
— Related party	—	15,285	11,445	11,445
Others[(1)]	225	19,763	27,010	27,579
	219,290	382,202	233,310	124,584
Current				
Prepayments for materials and expenses	215,400	51,451	28,864	56,090
Other deposits and receivables	863	2,056	6,404	1,798
Value added tax recoverable	26,861	39,301	84,038	18,821
Less: loss allowance	(195)	(333)	(333)	(365)
	242,929	92,475	118,973	76,344
Total	**462,219**	**476,677**	**352,283**	**200,928**

Note:

(1) Others mainly include deposits paid in relation to finance leases.

Our prepayments for purchase of property, plant and equipment to Third Parties increased from RMB219.1 million as of December 31, 2022 to RMB347.2 million as of December 31, 2023, as we purchased more equipment to support our business expansion. Our prepayments for purchase of property, plant and equipment decreased to RMB194.9 million, primarily due to the delivery of equipment for use. As of December 31, 2023 and December 31, 2024, we had prepayments for purchase of property, plant and equipment to a related party, represented 30% prepayments in relation to the purchases of production equipment from Beijing Tesidi Semiconductor Equipment Co., Ltd in 2023. Our prepayment for purchases of property, plant and equipment to a related party decreased from RMB15.3 million as of December 31, 2023 to RMB11.4 million as of December 31, 2024, primarily due to the delivery of certain of the equipment. Our prepayments for purchase of property, plant and equipment to third parties reduced to RMB85.6 million as of May 31, 2025, primarily due to the delivery of certain of the equipment made during five months ended May 31, 2025, partly offset by the prepayment for a parcel of land made amounted to RMB21.0 million. We plan to use this parcel of land to establish our production facilities and sales center in Malaysia, while we currently do not have a concrete schedule for subsequent constructions of premises and decorations, we planned ahead and reserved such parcel of land to avoid future price increases. In face of global market uncertainties, we expect to gradually prepare the construction schedule.

Our prepayments for materials and expenses decreased significantly from RMB215.4 million as of December 31, 2022 to RMB51.5 million as of December 31, 2023, primarily due to the delivery of the prepaid raw materials. Our prepayments for materials and expenses decreased further to RMB28.9 million as of December 31, 2024, primarily due to a decrease in prepayments to material suppliers as we negotiated for better payment terms. Our prepayments for materials and expenses increased to RMB56.1 million as of May 31, 2025, primarily for fulfilling the requirements for the sales orders we received.

Our value added tax recoverable increased from RMB26.9 million as of December 31, 2022 to RMB39.3 million as of December 31, 2023 and RMB84.0 million as of the December 31, 2024, primarily due to an increase in our construction and equipment purchases throughout the Track Record Period. As of May 31, 2025, our value added tax recoverable decreased to RMB18.8 million due to settlement of the tax recoverable by the government during the five months ended May 31, 2025.

Up to September 30, 2025. RMB99.4 million or 49.5% of our prepayments, deposits and other receivables as of May 31, 2025 had been subsequently settled.

Intangible Assets

Our intangible assets consist of software we purchased. Our intangible assets was RMB0.3 million, RMB0.3 million, RMB3.5 million and RMB3.2 million , respectively, as of December 31, 2022, 2023 and 2024 and May 31, 2025. The increase in intangible assets as of December 31, 2024 was primarily due to the purchase of the MES software to cope with our business needs, which its functionality includes production scheduling, quality management, equipment management, and data collection.

Deferred Tax Assets

During the Track Record Period, deferred tax assets mainly arose from unused tax losses and impairment loss of non-financial assets and provision for write-down of inventories. Our deferred tax assets decreased from RMB32.0 million as of December 31, 2022 to RMB16.9 million as of December 31, 2023, primarily because we realized profits in 2023 and utilized the tax losses. Our deferred tax assets increased from RMB16.9 million as of December 31, 2023 to RMB105.8 million as of December 31, 2024, primarily due to unused tax losses credited to profit or loss as we recorded net loss and inventory provision made for 2024. Our deferred tax assets remained stable at RMB103.8 million as at May 31, 2025.

Trade and Bills Payables

Our trade and bills payables are primarily related to payments due to material suppliers. During the Track Record Period, the credit period granted to us was generally 30 to 90 days by our SiC substrate suppliers, from the date of invoice.

The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	53,023	210,964	134,244	129,614
Bills payables	—	—	24,506	—
	53,023	210,964	158,750	129,614

Our trade and bills payables increased from RMB53.0 million as of December 31, 2022 to RMB211.0 million as of December 31, 2023, primarily as we purchased more raw materials and negotiated for better payment terms with our suppliers. Our trade and bills payables decreased from RMB211.0 million as of December 31, 2023 to RMB158.8 million as of December 31, 2024, primarily attributable to our decreased purchases. Our trade and bills payables further decreased to RMB129.6 million as of May 31, 2025. Impacted by the current market conditions, procurement unit prices decreased in 2024 as compared to 2023 and the decreasing trend continued for the five months ended May 31, 2025. Meanwhile, we also reduced our procurement scale, prioritizing the use of existing inventory to the extent possible.

The following table sets forth the aging analysis of our trade and bills payables based on the invoice dates as of the dates indicated:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	35,015	208,796	154,457	126,102
One year to two years	589	1,655	2,234	1,397
Over two years	17,419	513	2,059	2,155
Total	**53,023**	**210,964**	**158,750**	**129,614**

The following table sets forth the trade and bills payables turnover days for the years/period indicated:

	Year ended December 31,			Five months ended May 31,
	2022	**2023**	**2024**	**2025**
Trade and bills payables turnover days[(1)]	66	50	70	99

Note:

(1) Trade and bills payables turnover days were calculated based on the average of opening and closing trade and bills payables balance divided by cost of sales for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days for a full year or 151 days for the five months ended May 31, 2025.

Our trade and bills payables turnover days decreased from 66 days in 2022 to 50 days in 2023, because we mainly purchased raw materials during such period and settled the payments generally in accordance with the credit terms granted. Our trade and bills payables turnover days significantly increased to 70 days in 2024, primarily as we negotiated better payment terms with our suppliers. For the five months ended May 31, 2025, our trade and bills payables turnover days increased to 99 days, primarily due to our continuous effort to negotiate with suppliers in offering longer credit period to better manage our working capital.

As of September 30, 2025, RMB82.9 million, or 64.0% of our trade payables as of May 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily include (i) other payables and accruals, primarily represents payables for constructions and equipment purchases; (ii) salaries, wages, bonus and benefits payable; (iii) amounts due to related parties, primarily arose from purchases of equipment; (iv) other tax payable; and (iv) loans from related parties. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of May 31,
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	63,183	240,002	296,515	179,147
Salaries, wages, bonus and benefits payable	18,154	17,516	10,900	12,302
Amounts due to related parties	—	6,042	15,690	15,722
Other tax payable	688	700	624	256
	82,025	264,260	323,729	207,427

Our other payables and accruals increased from RMB82.0 million as of December 31, 2022 to RMB264.3 million as of December 31, 2023 and further to RMB323.7 million as of December 31, 2024, primarily due to an increase of other payables and accruals attributable to increased payables for construction and equipment. Our other payables and accruals decreased to RMB207.4 million as of May 31, 2025 as we have partially settled the payables in connection with the construction and equipment purchase during the five months ended May 31, 2025.

As of September 30, 2025, RMB132.1 million, or 63.7% of our other payables and accruals as of May 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent receipts in advance from our customers. Our contract liabilities remained at RMB4.2 million, RMB4.1 million, RMB1.9 million and RMB3.8 million as of December 31, 2022, 2023, 2024 and May 31, 2025, respectively. The decrease in our contract liabilities from RMB4.1 million as of December 31, 2023 to RMB1.9 million as of December 31, 2024, primarily because we delivered and recognized corresponding revenue of our products. Our contract liabilities increased to RMB3.8 million as at May 31, 2025.

As of September 30, 2025, RMB0.8 million, or 20.9% of contract liabilities as of May 31, 2025 had been subsequently recognized as revenue.

Deferred Income

Our deferred income represented unamortized conditional government grants compensating us for the cost of assets. Our deferred income remained relatively stable at RMB23.6 million, RMB21.0 million and RMB26.2 million, respectively, as of December 31, 2022, 2023 and 2024. Our deferred income increased substantially to RMB70.2 million as of May 31, 2025, primarily due to the receipt of government grants for our 8-inch wafer-related research, and equipment subsidies, which will be recognized in the future.

Deferred Tax Liabilities

Our deferred tax liabilities arose from unrealized intra-group profit charged to profit or loss. Our deferred tax liabilities was RMB93,000, RMB90,000, RMB0.1 million and RMB0.1 million, respectively, as of December 31, 2022, 2023 and 2024 and May 31, 2025.

INDEBTEDNESS

Our indebtedness consist of (i) bank loans and other borrowings; and (ii) lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2022	**2023**	**2024**	**2025**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loans and other borrowings	—	783,718	1,694,179	1,852,889	2,186,278
Lease liabilities	20,204	62,145	55,105	52,494	47,513
Total indebtedness	**20,204**	**845,863**	**1,749,284**	**1,905,383**	**2,233,791**

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of September 30, 2025, the latest practicable date for the purpose of the indebtedness statement. Our Directors have confirmed that there has not been any material change in indebtedness of our Company since September 30, 2025 and up to the Latest Practicable Date.

Bank Loans and Other Borrowings

The following table sets forth a breakdown maturity profile of our interest-bearing bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2022	2023	2024	2025	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current					
Bank loans	—	180,592	431,320	282,473	409,817
Other borrowings	—	118,368	203,239	225,818	226,308
	—	298,960	634,559	508,291	636,125
Non-current					
Bank loans	—	253,651	826,649	1,144,227	1,383,497
Other borrowings	—	231,107	232,971	200,371	166,656
	—	484,758	1,059,620	1,344,598	1,550,153
	—	783,718	1,694,179	1,852,889	2,186,278

Our total outstanding bank loans and other borrowings increased from nil as of December 31, 2022 to RMB783.7 million as of December 31, 2023, primarily due to the draw-down of new bank loans primarily for construction and other borrowings in relation to obligations under finance leases in respect of production equipment acquired for expansion of production capacity in the same year. Our other borrowings as of December 31, 2023 and 2024 and May 31, 2025 were provided by four non-bank financial institutions in the PRC specializing in financial leasing services and all of them were affiliates of commercial banks in the PRC. Our total outstanding bank loans and other borrowings increased from RMB783.7 million as of December 31, 2023 to RMB1,694.2 million and RMB1,852.9 million as of December 31, 2024 and May 31, 2025, respectively, primarily as we continued to draw down new bank loans for equipment and constructions. Our total outstanding bank loans and other borrowings increased further to RMB2,186.3 million as of September 30, 2025 as we drew down more loans for equipment and constructions.

In order to fulfil the capital needs for our strategic decision to expand our production capacity during the Track Record Period, we obtained financing from reputable banks or financial institutions specializing in financial leasing services in the PRC in form of bank loans and through finance lease of our production facilities. Such financing arrangements were made on normal commercial terms and there is no other past or present relationship between the lenders and our Group. During the Track Record Period, the terms of our bank loans ranged from one to ten years, bearing interest rate ranging from 2.52% to 5.0% per annum. During the Track Record Period, the terms of finance leases ranged from three to four years, with interest rates ranging from 3.6% to 4.5% per annum.

As of December 31, 2023 and 2024, May 31, 2025, certain of our bank loans and other borrowings of were secured by certain of our assets, including property, plant and equipment and leasehold land. See Note 22(c) to Appendix I for details.

As of December 31, 2022, 2023 and 2024, May 31, 2025, certain of our bank loans and other borrowings were guaranteed by our related parties. See Note 32(e) to Appendix I for details. Our Directors confirm that all of the guarantees by provided by our related parties will either be replaced by a corporate guarantee of the Company or released prior to or upon Listing.

We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings. Our Directors also confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of September 30, 2025, we had committed unutilized banking facilities of RMB5,124.1 million, among which RMB3,971.9 million were fixed asset loans and RMB1,152.2 million were operating loans for general working capital purposes.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2022	**2023**	**2024**	**2025**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current	4,014	8,103	6,351	6,476	5,193
Non-current	16,190	54,042	48,754	46,018	42,320
	20,204	62,145	55,105	52,494	47,513

As of December 31, 2022, 2023 and 2024, May 31, 2025 and September 30, 2025, our lease liabilities were RMB20.2 million, RMB62.1 million, RMB55.1 million, RMB52.5 million and RMB47.5 million, respectively.

CONTINGENT LIABILITIES

As of September 30, 2025, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since September 30, 2025 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our cash requirements primarily through cash generated from operating activities, capital contributions by investors and bank loans and other borrowings. In the future, we expect to continue relying on cash flows from operations, net proceeds from the Global Offering, bank borrowings and other debt instruments to fund our working capital needs.

Cash Flows

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

	Year ended December 31,			Five months ended May 31,	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash (used in)/ generated from operating activities	(262,186)	87,394	(62,266)	109,875	61,092
Net cash used in investing activities	(514,446)	(1,090,418)	(842,806)	(284,565)	(215,485)
Net cash generated from financing activities	1,210,700	726,883	830,075	101,517	135,199
Net increase/(decrease) in cash and cash equivalents	**434,068**	**(276,141)**	**(74,997)**	**(73,173)**	**(19,194)**
Effect of exchange rate changes	**(1,257)**	**271**	**967**	**(34)**	**(34)**
Cash and cash equivalents at the beginning of the year/ period	31,666	464,477	188,607	188,607	114,577
Cash and cash equivalents at the end of the year/period	**464,477**	**188,607**	**114,577**	**115,400**	**95,349**

Net Cash (Used in)/Generated from Operating Activities

Our net cash generated from or used in operating activities primarily comprises our loss or profit before taxation for the period adjusted by: (i) non-cash and non-operating items and (ii) changes in working capital.

In 2022, our net cash used in operating activities was RMB262.2 million, primarily due to our profit before tax of RMB3.7 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB34.3 million and provision for write-down of inventories of RMB14.7 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments, deposits and other receivables of RMB213.2 million as we purchased more equipment to support our business expansion; and (b) an increase in trade and bills receivables of RMB117.7 million due to the growth of our sales partially offset by (c) an increase in other payables and accruals of RMB48.1 million, mainly due to increased payables for construction and equipment purchases.

In 2023, our net cash generated from operating activities was RMB87.4 million, primarily due to our profit before tax of RMB111.0 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB89.1 million and provision for write-down of inventories of RMB21.3 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB326.0 million due to increased purchases to support our sales growth; and (b) an increase in trade and bills receivables of RMB165.4 million due to the growth of our sales, partially offset by (c) an increase of trade and bills payables of RMB157.7 million due to increased purchases to support our sales growth; and (d) a decrease in prepayments, deposits and other receivables of RMB152.2 million, primarily due to the delivery of prepaid raw materials.

In 2024, our net cash used in operating activities was RMB62.3 million, primarily due to our loss before tax of RMB589.2 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB130.8 million and provision for write-down of inventories of RMB315.1 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB104.0 million, primarily due to increased purchases of raw materials in anticipation of customers' orders; (b) a decrease in trade and bills payables of RMB53.2 million as we settled certain of our payables; (c) an increase in prepayments, deposits and other receivables of RMB22.3 million mainly due to the increase in value added tax recoverable; partially offset by (d) a decrease in trade and bills receivables of RMB157.8 million due to a decrease in our sales.

For the five months ended May 31, 2025, our net cash generated from operating activities was RMB61.1 million, primarily due to our profit before tax of RMB11.6 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB63.0 million and reversal of provision for impairment losses on financial assets of RMB14.1 million as a result of settlement of trade receivables during the five months ended May 31, 2025 leading to less provision required as at May 31 2025; and (ii) changes in working capital, which primarily included (a) a decrease in inventories of RMB115.4 million; (b) a decrease in prepayments, deposits and other receivables of RM45.9 million; (c) an increase in deferred income of RMB44.0 million, partially offset by (d) an increase of trade and bills receivables of RMB178.4 million; and (e) a decrease in trade and bills payables of RMB29.1 million.

Net Cash Used in Investing Activities

In 2022, our net cash used in investing activities was RMB514.4 million, primarily due to payments for the purchase of property, plant and equipment of RMB437.7 million and payments for the purchase of a leasehold land of RMB78.2 million.

In 2023, our net cash used in investing activities was RMB1,090.4 million, primarily due to payments for the purchase of property, plant and equipment of RMB1,021.3 million and payments for the purchase of a leasehold land of RMB72.3 million.

In 2024, our net cash used in investing activities was RMB842.8 million, primarily due to payments for the purchase of property, plant and equipment of RMB840.3 million.

During the five months ended May 31, 2025, our net cash used in investing activities was RMB215.5 million, primarily due to payments for the purchase of property, plant and equipment and intangible assets of RMB215.5 million.

Net Cash Generated from Financing Activities

In 2022, our net cash generated from financing activities was RMB1,210.7 million, primarily due to capital injection by investors of RMB1,394.0 million and proceeds from bank loans and other borrowings of RMB248.8 million, partially offset by repayment of bank loans and other borrowings of RMB430.5 million.

In 2023, our net cash generated from financing activities was RMB726.9 million, primarily due to proceeds from bank loans and other borrowings of RMB1,153.6 million, partially offset by repayment of bank loans and other borrowings of RMB370.4 million.

In 2024, our net cash generated from financing activities was RMB830.1 million, primarily due to proceeds from bank loans and other borrowings of RMB1,413.0 million, partially offset by repayment of bank loans and other borrowings of RMB487.9 million and interests paid of RMB56.7 million.

For the five months ended May 31, 2025, our net cash generated from financing activities was RMB135.2 million, primarily due to proceeds from bank loans and other borrowings of RMB495.6 million, partially offset by repayment of bank loans and other borrowings of RMB332.4 million and interests paid of RMB31.0 million.

Current Assets/Liabilities

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

	As of December 31,			As of May 31,	As of September 30,
	2022	**2023**	**2024**	**2025**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	89,887	394,548	183,399	98,950	87,214
Trade and bills receivables	194,433	350,423	147,538	340,003	16,477
Prepayments, deposits and other receivables	242,929	92,475	118,973	76,344	116,675
Restricted cash	3,308	21,039	37,822	27,331	5,873
Cash and cash equivalents	464,477	188,607	114,577	95,349	124,468
Total current assets	**995,034**	**1,047,092**	**602,309**	**637,977**	**350,707**
Current liabilities					
Trade and bills payables	53,023	210,964	158,750	129,614	161,564
Other payables and accruals	82,025	264,260	323,729	207,427	204,131
Contract liabilities	4,197	4,146	1,877	3,835	2,409
Bank loans and other borrowings	—	298,960	634,559	508,291	636,125
Lease liabilities	4,014	8,103	6,351	6,476	5,193
Total current liabilities	**143,259**	**786,433**	**1,125,266**	**855,643**	**1,009,422**
Net current assets/ (liabilities)	**851,775**	**260,659**	**(522,957)**	**(217,666)**	**(658,715)**

Net current (liabilities)/assets

Our net current assets decreased from RMB851.8 million as of December 31, 2022 to RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; (ii) an increase in trade and bills payables of RMB157.9 million; and (iii) a decrease in cash and cash equivalents of RMB275.9 million as we spent cash to support our business expansion. This was partially offset by an increase in inventories of RMB304.7 million and trade and bills receivables of RMB156.0 million.

We recorded net current liabilities of RMB523.0 million as of December 31, 2024 while we recorded net current assets of RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in bank loans and other borrowings of RMB335.6 million to finance the construction of new Ecological Park production base; (ii) a decrease in inventories mainly as we wrote-down part of our inventories; (iii) a decrease in trade and bills receivables of RMB202.9 million as a result of a decrease in revenue; and (iv) a decrease in cash and cash equivalents of RMB74.0 million as we spent cash to support our business expansion.

Our net current liabilities decreased from RMB523.0 million as of December 31, 2024 to RMB217.7 million as of May 31, 2025, primarily due to an increase in our trade and bills receivables and a decrease of bank and other borrowings and other payables and accruals.

Our net current liabilities increased from RMB217.7 million as of May 31, 2025 to RMB658.7 million as of September 30, 2025, primarily due to the decrease in trade and other receivables, as a result of provision for impairment made for our trade receivables during the period, reflecting our prudence reassessment on the loss allowance for trade receivables in view of the current market conditions and aging of our receivables.

In view of our net current liabilities as of December 31, 2024, May 31, 2025 as well as September 30, 2025, we have taken and will continue to take the following measures to improve our financial position:

(i) ***monitoring our cash flow situation on a regular basis.*** Each year, our management reviews and approves our annual budget planning and expansion plans taking into account among other things, the financial position of our Group, market conditions, availability of financing. Our finance department also holds internal meetings monthly to discuss necessary steps to improve our Group's cashflow and liquidity position. We will continue to closely monitor our liquidity position to ensure sufficient working capital is maintained;

(ii) ***maintaining strict procurement and inventory management processes.*** We implement a strict inventory management system to monitor the procurement and storage of inventories. In light of the decreasing price trend of epitaxial wafers and substrate, we also entered into new strategic supply chain arrangement with certain suppliers, under which our suppliers rent a warehouse at our production site for storage of raw materials intended for our use. This arrangement aims to reduce production lead time by ensuring immediate access of materials by us, while enabling us to delay material purchases in response to the material price volatility, allowing us to better manage our inventory level and purchase costs risk. We will continue to prudently evaluate demands for the key raw materials of our products such as substrates and other consumables in order to form reasonable procurement plans and prioritize to consume inventories on hands; and

(iii) ***maintaining stable relationships with banks.*** We will maintain stable relationships with banks so as to timely obtain bank borrowings on acceptable terms once necessary. In addition, we are actively discussing with banks to increase the proportion of long-term loans in our financing structure to better match the life cycle of our capital expenditures and enhance financial stability.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of and for the years/period indicated:

	As of and for the year ended December 31,			As of and for the five months ended May 31,
	2022	2023	2024	2025
Gross profit/(loss) margin	20.0%	18.5%	(72.0)%	22.5%
Current ratio	6.9	1.3	0.5	0.7
Quick ratio	6.3	0.8	0.4	0.6
Debt-to-equity ratio	—	46.2%	138.9%	149.4%

Gross Profit/Loss Margin

Gross profit/loss margin is calculated by the gross profit or loss divided by the revenue for the respective year/period and multiplied by 100%. See "— Discussion of Results of Operations" in this section for more details on our gross profit margin.

Current Ratio and Quick Ratio

The calculation of current ratio is based on current assets divided by current liabilities as of the year/period end. Our quick ratio is calculated by our current assets less inventories divided by our current liabilities as of the year/period end.

Our current ratio decreased from 6.9 times as of December 31, 2022 to 1.3 times as of December 31, 2023 and our quick ratio decreased from 6.3 times as of December 31, 2022 to 0.8 times as of December 31, 2023, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; and (ii) an increase in trade and bills payables of RMB157.9 million.

Our current ratio decreased from 1.3 times as of December 31, 2023 to 0.5 times as of December 31, 2024 and our quick ratio decreased from 0.8 times as of December 31, 2023 to 0.4 times as of December 31, 2024, primarily due to the increase in current liabilities outpaced the changes in current assets. The increase in current liabilities was primarily due to an increase in bank loans and other borrowings over the years.

As of May 31, 2025, our current ratio slightly decreased to 0.7 times, and our quick ratio slightly increased to 0.6 times.

Debt-to-equity Ratio

The calculation of debt-to-equity ratio is based on our loans and borrowings divided by total equity for the respective year/period end and multiplied by 100.0%. Our debt-to-equity ratio increased from 46.2% as of December 31, 2023 to 138.9% as of December 31, 2024, primarily due to an increase in our bank loans and other borrowings from RMB783.7 million as of December 31, 2023 to RMB1,694.2 million as of December 31, 2024. Our debt-to-equity ratio as of May 31, 2025 slightly increased to 149.4%.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period consist of payment for property, plant and equipment. We made prepayments for property, plant and equipment during the Track Record Period, and such prepayments were classified as non-current assets in our statements of financial position, which affected our capital expenditures during the Track Record Period. Our capital expenditures amounted to RMB515.9 million, RMB1,093.8 million, RMB843.9 million and RMB215.6 million in 2022, 2023, 2024 and for the five months ended May 31, 2025, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, the capital contributions by investors and bank loans and other borrowings.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for payment for property, plant and equipment. Specifically, we intend to make significant capital expenditures, including the proceeds of HK$1,044.4 million to be received from the Global Offering, to expand our overall production capacity over the next five years. See "Use of Proceeds" for details. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the net proceeds from the Global Offering.

Capital Commitments

Our capital commitments primarily relate to purchase for property, plant and equipment contracted but not provided for. Our capital commitments were RMB1,323.0 million, RMB2,074.6 million, RMB1,198.0 million and RMB1,099.4 million as of December 31, 2022, 2023 and 2024 and May 31 2025, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. These transactions primarily included but not limited to (i) sales and purchases of products, materials and equipment; (ii) provision of services to related parties, including epitaxial wafers-related services; (iii) leases in relation to property, plant and equipment; and (iv) loans and borrowings from/to related parties. For details of our related party transactions, see note 32 to the Accountants' Report in Appendix I to this prospectus. All loans, advances, non-trade balances due to and from the related parties are expected to be settled before the Global Offering.

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms. Our Directors are also of the view that our transactions with related parties during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE AND FAIR VALUES

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 receivables and other receivables. Our exposure to credit risk arising from cash and cash equivalents, restricted cash and bills receivable are limited because the counterparties are banks and financial institutions with sound credit ratings, for which we consider to have low credit risk.

Trade Receivables and Other Receivables

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers.

As of December 31, 2022, 2023, 2024 and May 31, 2025, 26%, 35%, 10% and 14% of the total trade receivables was due from our largest customer in each year during the Track Record Period, respectively, and 54%, 82%, 22% and 59% of the total trade receivables was due from our five largest customers in each year/period during the Track Record Period, respectively.

In respect of trade receivables, individual credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 15 to 90 days from the date of invoice. Normally, we do not obtain collateral from customers.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases. For details of information about exposure to credit risk and ECLs for trade receivables and other receivables, please refer to note 30(a) to the Accountants' Report included in Appendix I to this prospectus.

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed funding from major financial institutions to meet our liquidity requirements in the short and longer term. For details of remaining contractual maturities at the end of each Track Record Period of our financial liabilities, please refer to note 30(b) to the Accountants' Report included in Appendix I to this prospectus.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from our bank loans and other borrowings. Bank loans and other borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We do not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure.

Foreign Currency Risk

We are exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables, and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Euros and Japanese Yen.

Fair Value Measurement

Fair Value of Financial Assets and Liabilities Carried at other than Fair Value

The carrying amounts of our financial instruments carried at cost or amortised cost were not materially different from their fair values as of December 31, 2022, 2023 and 2024.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

(a) recovery of accumulated losses, if any;

(b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the MOF (the "**PRC GAAP**"); until such fund has reached more than 50% of our registered capital; and

(c) allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

In view of our accumulated losses as of May 31, 2025, as advised by our PRC Legal Advisors, we are not able to declare or pay any dividend until we have distributable profits after the accumulated losses have been made up and statutory reserves have been drawn in accordance with relevant laws and regulations and the Articles of Association.

WORKING CAPITAL SUFFICIENCY

As of December 31, 2024, May 31, 2025 and September 30, 2025, we recorded net current liabilities of RMB284.0 million, RMB217.7 million and RMB212.3 million, respectively, primarily attributable to significant bank loans and other borrowings.

We seek to improve our liquidity as well as ensure our working capital sufficiency going forward by driving our operating cash flows through our expanding our customer base and thus sales volume, as well as implementing cost control measures. See "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges" for details.

As of September 30, 2025, our cash and cash equivalents balance amounted to RMB124 million. Our committed unutilized banking facilities from Independent Third Party commercial banks for working capital purposes as of September 30, 2025 amounted to RMB5,124.1 million, among which RMB3,971.9 million were fixed asset loans and RMB1,152.2 million were operating loans for general working capital purposes. The net proceeds from the Global Offering amounted to approximately HK$1,671.1 million, assuming an Offer Price of HK$58.00 per Share.

Having considered our strategies as set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges" and taking into account the estimated net proceeds from the Global Offering, the financial resources available to us, including our cash and cash equivalent balances and the expected cash generated from operating activities, the expected financing cash outflow considering the maturity profile of our bank loans and other borrowings, and the related borrowings repayment and interest payment schedule in the next 12 months from the date of this prospectus, our Directors are of the opinion that our business is sustainable, and we have sufficient working capital for our operations and to meet our present needs and for the next 12 months from the date of this prospectus.

The Directors have prepared its working capital forecast after due and careful enquiry, and considered that the assumptions used in the working capital forecast were reasonable. Having taken into account the strategies of our Company set out in "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges", the view of our Directors as described above, the estimated net proceeds from the Global Offering and the financial resources available to our Company, our Directors' considered that our business is sustainable and we have sufficient working capital for our operations and to meet our present needs and for the next 12 months from the date of this prospectus. After the Sole Sponsor conducted due diligence, as nothing has come to the attention of the Sole Sponsor which could cause them to cast doubt on the reasonableness of the Directors' views above, the Sole Sponsor concurs with the Directors' view that the Group has sufficient working capital for its operations and to meet its present needs and for the next 12 months from the date of this prospectus.

We intend to continue to finance our working capital with cash generated from our operations, bank loans and other borrowings, and net proceeds from the Global Offering. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

DISTRIBUTABLE RESERVES

As of May 31, 2025, our Company had accumulated loss of RMB372.7 million under PRC GAAP. Accordingly, we do not have reserves available for distribution to our Shareholders.

LISTING EXPENSES

Based on the Offer Price of HK$58.00 per Share, the total estimated listing expenses in relation to the Global Offering are RMB66.5 million (HK$73.0 million), assuming the Over-allotment Option is not exercised, which constitute approximately 4.2% of the gross proceeds. Our total listing expenses consist of (i) underwriting-related expenses and fees (including underwriting commissions, Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB36.4 million (HK$39.9 million); and (ii) non-underwriting-related expenses of RMB30.1 million (HK$33.1 million), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of RMB19.8 million (HK$21.8 million) and (b) other fees and expenses of RMB10.3 million (HK$11.3 million). Among the total listing expenses, RMB6.1 million had been charged to profit or loss in 2024 and the five months ended May 2025, RMB12.1 million is expected to be charged to profit or loss for year ending December 31, 2025, and RMB48.3 million directly attributable to the issue of the H Shares is expected to be deducted from equity upon the completion of the Global Offering. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2025 as if the Global Offering had taken place on May 31, 2025.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of May 31, 2025 or any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2025(1)	**Estimated net proceeds from the Global Offering(2)(4)**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company as of May 31, 2025**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share(3)(4)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$58.00 per Share	1,235,198	1,527,329	2,762,527	7.02	7.71

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2025 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB1,238,317,000 as of May 31, 2025, which is extracted from the Accountants' Report set out in Appendix I to this Prospectus, deducting intangible assets of RMB3,177,000 and netting off the share of intangible assets attributable to non-controlling interests of RMB58,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$58.00 per Share and the issuance of 30,070,500 Offer Shares, after deduction of the underwriting fees and other related listing expenses paid or payable (excluding listing expenses of RMB6,137,000 which has been expensed up to May 31, 2025) by the Company and do not take into account any shares which may be issued upon the exercise of the over-allotment option of the Company.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 393,268,511 Shares are expected to be in issue immediately following the Global Offering, but do not take into account any shares which may be issued upon the exercise of the over-allotment option of the Company.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share are converted from or into Hong Kong dollars (the "**HK$**") at an exchange rate of RMB0.9103 to HK$1. No representation is made that HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(5) The Group's certain property interests located in the PRC, including certain construction in progress and leasehold land, as of August 31, 2025 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the full text of the valuation report is set out in Appendix III. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the valuation of these property interests of the Group. Such surplus has not been recorded in the historical financial information as of May 31, 2025 set forth in the Accountants' Report in the Appendix I to this Prospectus and will not be recorded in the consolidated financial statements of the Group in future periods according to the Group's accounting policies. As the Group's construction in progress is not available for use, no depreciation charge is recognised according to the Group's accounting policies. As the Group's leasehold land is stated at cost less accumulated depreciation and impairment loss (if any), had the leasehold land as of May 31, 2025 been recorded at the amount valued by the independent property valuer, additional annual depreciation of approximately RMB158,000 would be charged against the profit in the future periods.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to May 31, 2025.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued certain of our property interests as of August 31, 2025 and is of the opinion that the market value of our property interests as of such date was RMB678.6 million. The full text of its letter, valuation report and certificates in connection with such property interests are set out in Appendix III to this prospectus.

A reconciliation of the net book value of our property interests as of August 31, 2025 as set out in Accountants' Report in Appendix I to their market value as of August 31, 2025 as stated in the property valuation report set out in Property Valuation Report in Appendix III is set out below:

	RMB'000
Net book value of the following property interests of our Group as of May 31, 2025	647,621
Including: Construction in progress	504,369
Leasehold land	143,252
Addition during the period from June 1, 2025 to August 31, 2025	18,950
Less: Depreciation during the period from June 1, 2025 to August 31, 2025	752
Net book value of the above property interests of our Group as of August 31, 2025	665,819
Valuation surplus, before tax	12,781
Valuation of property interests of our Group as of August 31, 2025 as set out in the Property Valuation Report	678,600

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, save as otherwise disclosed in "Summary — Recent Development and No Material Adverse Change," up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since May 31, 2025, being the end of the Track Record Period as reported in the Accountants' Report as set out in Appendix I, and there had been no event since May 31, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,671.1 million from the Global Offering, after deducting the estimated underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, assuming that an Offer Price of HK$58.00 per Share and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds as follows:

- Approximately 62.5%, or HK$1,044.4 million, is expected to be used to expand our overall production capacity over the next five years, thereby enhancing our market share and product competitiveness, including:

  (i) approximately 45.8%, or HK$765.4 million, is expected to be used to purchase equipment and machinery for the expansion of production lines at our existing headquarters production base and new Ecological Park production base. The following table sets forth a breakdown of the equipment and machinery that we expect to purchase for the establishment of production lines:

	2025	2026	2027	2028	2029
			(HK$ in millions)		
Epitaxial equipment	85.0	85.0	85.0	85.0	42.7
Detection equipment	42.5	42.5	42.5	42.5	21.4
Equipment for cleaning and polishing	28.9	28.9	28.9	28.9	14.5
Ancillary equipment	13.6	13.6	13.6	13.6	6.8

  (ii) approximately 14.8%, or HK$247.2 million, is expected to be used to complete the construction of our production bases. In particular, we plan to decorate and establish the supporting systems, such as power supply system, fire protection system and sewage treatment system, to accommodate the increase in the number of our production lines.

  (iii) approximately 1.9%, or HK$31.8 million, is expected to be used to recruit approximately 320 personnel for our headquarters production site and Ecological Park production base over the next five years, including 288 manufacturing personnel and 32 other supporting staff. We expect to pay an average annual salary per employee of approximately HK$98 thousand.

The demand for SiC epitaxial wafers are promising and is expected to increase. According to Frost & Sullivan, demand for SiC power semiconductor devices in China and globally are expected to see rapid increases driven by the downstream markets such as new energy vehicles and 5G communications. Production capacity would be one of the key consideration factors for downstream customers to assess the overall competence of suppliers. To maintain our competitiveness and seize further business opportunities, we have begun implementing our expansion plans to increase our production capacity, as time is required for the completion of our expansion plans. In particular, we received a request from one of our top five customers during the Track Record Period to provide a guarantee on the required level of production capacity to be allocated to it for our monthly provision of 8-inch SiC epitaxial wafers. Such guarantee sets out our five-year production capacity plan from 2024 to 2028, among other matters, to achieve an annual production capacity of over 800,000 pieces of SiC epitaxial wafers in 2026. See "Business — Challenges to Our Industry and Our Business — Analysis on Historical Financial Performance — Expansion of the production capacity." On the other hand, according to Frost & Sullivan, it is expected that global demand on SiC epitaxial wafers would exceed 1.3 million pieces in 2026. Although the current global trade tension may hinder our overseas sales, we intend to get our annual production capacity prepared for the long term market opportunity to cater for the potential demand from 2026 onwards once there is any relief on the global trade tension. However, as the market is constantly changing, we shall take a progressive approach in implementing our expansion plans, to timely adjust our expansion plan to any possible unfavorable factor which may affect the upcoming demand for the best interest of our Group and our Shareholders.

Further, in view of the current price trend and intensive market competition, it is expected that certain SiC epitaxial wafer manufacturers without strong financial resources and business capabilities may gradually close down, resulting in the consolidation of market participants. As such, the demand of SiC epitaxial wafers from surviving SiC epitaxial wafer manufacturers is expected to gradually increase.

- Approximately 15.1%, or HK$252.3 million, is expected to be used for enhancing our independent R&D and innovation capabilities over the next five years to improve product quality, such as 8-inch multilayer structure ultra-high voltage device materials and superjunction low resistance materials, and shorten the development cycle of new products, such as the 8-inch bonding process, so as to respond more quickly to the market demand, including:

  (i) approximately 6.1%, or HK$101.9 million, is expected to be used to invest in R&D infrastructure. Specifically, we plan to purchase (a) R&D equipment, such as epitaxial equipment for the growth of epitaxial layers, cleaning equipment for cleaning particles and metal ion residues on the surface of epitaxial wafers, and detection equipment for detecting various morphologies, defects and roughness on the surface of epitaxial wafers; and (b) relevant software, such as simulation software for simulating and analyzing the preparation process of SiC epitaxial materials.

(ii) approximately 3.0%, or HK$50.1 million, is expected to be used for the purchase of semiconductor materials, such as SiC substrates and gallium oxide substrates for R&D purpose.

(iii) approximately 2.6%, or HK$43.4 million, is expected to be used to maintain and expand our R&D team to support the upgrade of our R&D center and increase our competitive advantages in the industry. We plan to recruit approximately 60 R&D staff with rich work experience in the industry in the next five years with average annual salary per employee of approximately HK$144,000. We expect these R&D staff to be senior, and possess more experience than the existing personnel, who will be able to match our business needs and aligned for our production expansion. According to Frost & Sullivan, there are sufficient R&D personnel with relevant qualifications available in the market to meet our employment needs.

(iv) approximately 1.8%, or HK$30.1 million, is expected to be used for testing the samples we develop and other relevant expenses. We engage independent third-party professional organizations to test the relevant samples.

(v) approximately 1.6%, or HK$26.8 million, is expected to be used for other expenses in relation to our R&D projects, including travel expenses, such as for attending R&D projects on site, or to attend industry events to share and expand our R&D knowledge insights for R&D projects, and consulting service fees for the protection of our intellectual property rights.

- Approximately 10.8%, or HK$180.5 million, is expected to be used for strategic investments and/or acquisition to expand customer base, enrich our product portfolios and supplement our technologies to achieve our long-term growth strategies.

  We seek potential investment and acquisition opportunities in the domestic and overseas SiC power semiconductor device industry chain and select potential targets based on the following general selection criteria: (i) the business of the target should have synergies with or is complementary to our business. We plan to invest in and/or acquire companies in the upstream of the industry value chain, such as emerging substrate companies, graphite spare parts and consumables companies, compound material companies, and R&D teams, to ensure stable supply of raw materials and more effective cost control; (ii) the target should have strong technological capabilities that are complementary to ours and possess unique competitiveness in the industry. Accordingly, we expect the potential investment targets will have independent R&D capabilities with competitive patents, stable R&D teams and diversified customer groups; (iii) the target should have robust financial performance which have demonstrated positive revenue growth and cash flow over the past three years, with valuations ranging from HK$500 million to HK$5 billion; and (iv) the management team should have appropriate R&D expertise and/or substantial management experience in the semiconductor industry, with broadened horizons and a company culture adaptive to the everchanging market.

Our Directors are of the view that there are sufficient number of targets available for us to acquire, based on large amount of the number of the market players in the upstream and downstream of the industry value chain. As advised by Frost & Sullivan, there are approximately 60 to 80 potential targets that match our selection criteria in the market. As of the Latest Practicable Date, we had not identified or pursued any specific acquisition target. If necessary, we will seek for additional equity and/or debt funding to facilitate the acquisition.

- Approximately 2.1%, or HK$35.1 million, is expected to be used for expanding our global sales and marketing network, in particular:

  (i) approximately 0.7%, or HK$11.7 million, is expected to be used for the office rental expenses over the next five years for the establishment of three sales centers in the following countries by 2025 to expand our customer base and strengthen our relationship with customers. Such countries are selected due to promising industry prospects, favorable governmental policies and strong technological development:

    (a) *Malaysia*. Government initiatives to attract foreign investment and lower labor cost in Malaysia benefit our operations, allowing for reduced expenses. Additionally, many PRC enterprises choose to establish factories in Malaysia, which we believe will lead to collective development that can foster inter-company collaboration along the industry value chain and create a supportive environment for our business;

    (b) *Japan*. Japan, being a technological leader in Asia with a strong downstream demand for semiconductor materials, can offer a robust market for our products, particularly in automotive and electrics sectors; and

    (c) *Italy*. As a member of the European Union and a country with advantageous geographic location, Italy allows us to access major markets in Europe with a coverage to surrounding countries. Besides, Italy has an emerging semiconductor industry with a growing market size and companies with strong R&D capabilities, which we believe will provide us with an opportunity to market our products.

  (ii) approximately 1.3%, or HK$21.7 million, is expected to be used to recruit 12 sales and marketing staff with average annual salary per employee of approximately RMB350,000 in the next five years to expand the geographical coverage of our sales network and provide local customers with better services.

(iii) approximately 0.1%, or HK$1.7 million, is expected to be used for the travel expenses in the next five years for our sales and marketing staff to expand the coverage of our marketing activities.

- Approximately 9.5%, or HK$158.8 million, is expected to be used for working capital and general corporate purposes.

We expect the aforementioned expansion to bring the following impact on our Group:

(i) *Cost structure*. The depreciation from our enlarged production facilities and new machinery and equipment after they are put into use will be increased. The R&D expenses will also be increased accordingly. With the recruitment of new production, marketing and R&D staff who are senior and possess more experience than the existing personnel which are necessary for fulfilling our R&D needs, we expect to incur additional annual staff costs of approximately HK$96.8 million. We intend to optimize the management structure to reduce relevant operating costs. See "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges — Improve operational efficiency and capital management." Despite these cost control measures, we believe it is reasonable for us to recruit a number of new employees in a progressive and prudent manner to fulfill our business needs.

(ii) *Profit margin*. We believe our profit margin will be gradually increased as a result of the optimization of our product mix led by our continuous investment in R&D.

(iii) *Cash flow*. We may face liquidity pressure as approximately HK$247.3 million is expected to be used to complete the construction of our production bases.

(iv) *Risk profile*. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — We may not grow our business as planned." and "Risk Factors — Risks Relating to Our Business and Industry — The expansion into overseas markets may expose us to operational, financial and regulatory risks."

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$1,926.7 million, assuming an Offer Price of HK$58.00 per Share. In the event that the Over-allotment Option is exercised, we intend to apply the additional net proceeds to the above purposes on a pro rata basis.

To the extent that our proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, and to the extent permitted by the relevant laws and regulations, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 50 H Shares) which may be purchased at the Offer Price with an aggregate amount of approximately HK$161.5 million (exclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the "**Cornerstone Placing**"). The calculations in this section, which are based on the exchange rate as disclosed in the section headed "Information about this Prospectus and the Global Offering — Currency Translations" in this prospectus, are for illustration purpose.

Based on the Offer Price of HK$58.00 per Offer Share, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 2,784,850 H Shares, representing approximately 9.26% of the Offer Shares and approximately 0.71% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. Our Company is of the view that by leveraging on the Cornerstone Investors' industry reputation and investment experience, the Cornerstone Placing would contribute to elevating the profile of our Company and providing confidence to the market in respect of our business and prospects.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue following the completion of the Global Offering and will be listed on the Stock Exchange and counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules (as amended and replaced by Rule 19A.13A(1)). The three largest public Shareholders will not hold more than 50% of the Shares held in public hands at the time of the Listing in compliance with Rule 8.08(3) and Rule 8.24 of the Listing Rules.

Immediately upon the completion of the Global Offering, (i) none of the Cornerstone Investors will become a substantial Shareholder; and (ii) the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Global Offering, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide.

To the best knowledge of our Company and after making reasonable enquiries: (i) each of the Cornerstone Investors and their beneficial owners is an Independent Third Party, is not our connected person (as defined under the Listing Rules) or its respective associate(s), and save as disclosed below, none of the Cornerstone Investors has any relationship with existing shareholder(s); (ii) is independent of other Cornerstone Investors; (iii) save as disclosed below, none of the Cornerstone Investors or their shareholders are listed on any stock exchanges; (iv) none of the Cornerstone Investors are accustomed to taking and have taken any instructions from our Company, our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in their name or otherwise held by them; (v) none of the subscription of the relevant Offer Shares by the Cornerstone Investors is directly or indirectly financed by our Company, our subsidiaries, our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholder or any of its subsidiaries or their respective close associates; and (vi) each Cornerstone Investor has confirmed that their subscriptions under the Cornerstone Placing is their respective independent investment decision and would be financed by its respective internal resources and/or (in the case of Cornerstone Investors which are funds or investment managers) the assets managed for its investors as its source of funding for the subscription of the Offer Share.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be published by our Company.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before the Listing. Each of the Cornerstone Investors has agreed that the Sponsor-Overall Coordinator in its sole discretion may defer the delivery of all or part of the Offer Shares it will subscribe to on a date later than the Listing Date. Where delayed delivery takes place, each of the Cornerstone Investors that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing. As such, there will be no deferred settlement of the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements.

OUR CORNERSTONE INVESTORS

The following information about each of the Cornerstone Investors was provided to our Company by the respective Cornerstone Investors in relation to the Cornerstone Placing.

Guangdong Primitive Forest and GF Global (in connection with the OTC Swaps)

GF Global Capital Limited ("**GF Global**") and GF Securities Co., Ltd will enter into a series of cross border delta-one OTC swap transactions (the "**OTC Swaps**") with each other and the ultimate clients (the "**GF Global Ultimate Clients**") pursuant to which GF Global will hold the Offer Shares on a non-discretionary basis to hedge the OTC Swaps while the economic risks and returns of the underlying Offer Shares are passed to the GF Global Ultimate Clients, subject to customary fees and commissions. GF Global will hold the legal title and beneficial interest in the underlying Offer Shares, but will contractually agree to pass on the full economic exposure and return of the Offer Shares, to the GF Global Ultimate Clients. The OTC Swaps will be fully funded by the GF Global Ultimate Clients through the OTC Swaps, and GF Global will not take part in any economic return or bear any economic loss in relation to the Offer Shares. The OTC Swaps are linked to the Offer Shares and the GF Global Ultimate Clients may, after expiration of the lock-up period beginning from the date of the cornerstone agreement entered into between GF Global and the Company and ending on the date which is six months from the Listing Date, request to early terminate the OTC Swaps at their own discretions, upon which GF Global may dispose of the Offer Shares and settle the OTC Swaps in cash in accordance with the terms and conditions of the OTC Swaps. Upon the final maturity or early termination of the OTC Swaps by the GF Global Ultimate Clients, GF Global will dispose the underlying Offer Shares on the secondary market and the GF Global Ultimate Clients will receive a final termination amount of the OTC Swaps which should have taken into account all the economic returns or economic loss in relation to the underlying Offer Shares, the fixed amount of management fees of the OTC Swaps. Despite that GF Global will hold the legal title of the Offer Shares by itself, it will not exercise the voting rights attaching to the relevant Offer Shares during the terms of the OTC Swaps according to its internal policy. To the best of GF Global's knowledge having made all reasonable inquiries, each of the GF Global Ultimate Clients is an independent third party of GF Global, GF Securities (Hong Kong) Brokerage Limited and the companies which are members of the same group of GF Securities (Hong Kong) Brokerage Limited, and no single ultimate beneficial owner holds 30% or more interests in each of the GF Global Ultimate Clients. During the terms of the OTC Swaps, all economic returns of the Offer Shares subscribed by GF Global will be passed to the GF Global Ultimate Clients and all economic loss shall be borne by the GF Global Ultimate Clients.

GF Global and GF Securities (Hong Kong) Brokerage Limited, one of the Overall Coordinators, are indirect wholly-owned subsidiaries of GF Securities Co., Ltd, of which its shares are listed on the Stock Exchange (stock code: 1776) and the Shenzhen Stock Exchange (stock code: 000776), and is a provider of comprehensive capital market services with industry-leading innovation capabilities which is focused on global serving quality enterprises and investors with demand for financial products and services. GF Global is a connected client (as defined under Appendix F1 to the Listing Rules) of GF Securities (Hong Kong) Brokerage Limited, holding securities on a non-discretionary basis on behalf of independent third parties. We have applied for, and the Stock Exchange has granted, a consent under paragraph 1C(1) of Appendix F1 to the Listing Rules to permit GF Global to participate in the Global Offering as a cornerstone investor. See "Waivers from Strict Compliance with Listing Rules — Consent under Paragraph 1C(1) of the Placing Guidelines to be Granted for Allocation of Securities to GF Global.

The GF Global Ultimate Clients are two domestic private funds, (namely, Primitive Forest Boyuan No. 1 Private Equity Investment Fund* (原始森林博源一號私募證券投資基金) ("**Forest Boyuan**") and Primitive Forest Neptune Private Equity Investment Fund* (原始森林海王星私募證券投資基金) ("**Forest Neptune**") managed by Guangdong Primitive Forest Fund Management Co., Ltd* (廣東原始森林私募證券投資管理有限公司) ("**Guangdong Primitive Forest**")) in its capacity as fund manager on a discretionary basis and the investment decisions can be made by the fund manager independently based on the investment objectives and authorities. Guangdong Primitive Forest is a private fund management company founded in July 2017. With an extensive investment portfolio in the Greater China region spanning across the technological and materials industries, it is committed to delivering long term and stable absolute investment returns for clients with varying risk profiles. As confirmed by Guangdong Primitive Forest, the subscription of the Offer Shares as cornerstone investor will be made by Guangdong Primitive Forest in its capacity as the fund manager of domestic private funds through OTC Swaps mechanism. Liu Hong (劉鴻) ("**Mr. Liu**") is the ultimate controlling shareholder of Guangdong Primitive Forest holding approximately 82.50% of its equity interest. Guangdong Primitive Forest is the wholly-owned subsidiary of Primitive Forest Holdings Group Co., Ltd.* (原始森林控股集團有限公司) ("**Primitive Forest Holdings**"). Primitive Forest Holdings is the general partner of Gongqingcheng Boyuan Investment Management (Limited Partnership)* (共青城博源投資管理中心(有限合夥)), which in turn is the general partner of Guanshun Investment and Guanling Investment, both of which are our Pre-IPO Investors from the December 2022 Capital Increase and are ultimately controlled by Mr. Liu. In addition, Guangdong Boyuan Fund Co., Ltd.* (廣東博源基金管理有限公司) and Gongqingcheng Boyuan Jiahe Entrepreneurship Investment Partnership (Limited Partnership)* (共青城博源佳禾創業投資合夥企業(有限合夥)), both ultimately controlled by Mr. Liu, are the general partner and limited partner of Zhongshan Lianxin, respectively. Zhongshan Lianxin is our Pre-IPO Investor from the December 2022 Capital Increase. For details, please see "History, Development and Corporate Structure — Pre-IPO Investors — Information relating to our Pre-IPO Investors — Pre-IPO Investors from the December 2022 Capital Increase". Our Company became acquainted with Guangdong Primitive Forest through the relevant Pre-IPO Investments.

As disclosed in "Waivers from Strict Compliance with Listing Rules — Waiver from Strict Compliance with Rule 10.04 of and Consent under Paragraph 1C(2) of Appendix F1 to the Listing Rules in respect of Subscriptions of Offer Shares by Close Associates of Existing Shareholder as Cornerstone Investors". Guangdong Primitive Forest is a close associate of each of Guanshun Investment, Guanling Investment and Zhongshan Lianxin, each, an existing Shareholder of the Company. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 1C(2) of Appendix F1 to the Listing Rules for allocation of securities to Guangdong Primitive Forest and Mr. Liu.

Glory Ocean

Glory Ocean Innovation Limited ("**Glory Ocean**") is a limited company incorporated in the British Virgin Islands, and is 100% held by Mrs. Lam, Yeuk Yin (林若燕), a professional investor. Glory Ocean mainly engages in equity market investments, focusing on IPO projects of industrial-leading enterprises in the new economy sector, covering new-generation IT, advanced manufacturing, consumer & retail, TMT, biomedicine, new energy and other fields. In the past, Glory Ocean has participated in the investments of companies including Contemporary Amperex Technology Co., Limited (Stock code: 3750), Jiangsu Hengrui Pharmaceuticals Co., Ltd. (Stock code: 1276), Zhejiang Sanhua Intelligent Controls Co., Ltd. (Stock code: 2050), Lens Technology Co., Ltd. (Stock code: 6613), Horizon Robotics (Stock code: 9660), Foshan Haitian Flavouring and Food Company Ltd. (Stock code: 3288), and Zijin Gold International Company Limited (Stock code: 2259). Our Company became acquainted with Glory Ocean through the Capital Markets Intermediaries.

Set out below is the aggregate number of the Offer Shares, and the corresponding percentage to our Company's total issued share capital under the Cornerstone Placing:

Based on the Offer Price of HK$58.00 per H Share

Cornerstone Investor	Total investment amount/Maximum gross investment amount	Number of Offer Shares to be acquired[3]	Approximate % of the International Offering	Approximate % of Offer Shares	Approximate % of the issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate % of the issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
Guangdong Primitive Forest and GF Global (in connection with the OTC Swaps)	RMB120,000,000[1]	2,272,800	8.40%	7.56%	0.58%	0.57%
Glory Ocean	HK$30,000,000[2]	512,050	1.89%	1.70%	0.13%	0.13%

Notes:

1. The total investment amount is exclusive of brokerage, AFRC transaction levy, SFC transaction levy, and Stock Exchange trading fee, and to be converted from/to Hong Kong dollars based on the exchange rate set out in "Information about This Prospectus and the Global Offering — Currency Translations". The investment amount of Forest Boyuan and Forest Neptune are RMB30 million and RMB90 million, respectively. Based on the Offer Price of HK$58.00 per Offer Share, the number of Offer Shares to be subscribed for by Forest Boyuan and Forest Neptune would be 568,200 and 1,704,600 H Shares, representing approximately 0.14% and 0.43% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), respectively.

2. The maximum gross investment amount is inclusive of brokerage, AFRC transaction levy, SFC transaction levy, and Stock Exchange trading fee.

3. Rounded down to the nearest whole board lot of 50 H Shares and calculated based on the exchange rate set out in "Information about This Prospectus and the Global Offering — Currency Translations".

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investors to acquire the relevant Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) (including those in connection with the subscription by the Cornerstone Investors of the Shares)) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions;

(v) the CSRC having accepted the CSRC filings and published the filing results on its website, and such notice of acceptance and/or filing results published not having otherwise been rejected, withdrawn, revoked or invalidated prior to the commencement of dealings in the H Shares on the Stock Exchange; and

(vi) the respective representations, warranties, acknowledgements, undertakings, and confirmations of each of the Cornerstone Investors under the Cornerstone Investment Agreements are (as of the date of the Cornerstone Investment Agreements) and will be (as of the Listing Date, the closing of the subscription of the Offer Shares in accordance with the terms and conditions of the Cornerstone Investment Agreements, and the date on which the deferred delivery of the Offer Shares subscribed pursuant to the Cornerstone Investment Agreements will be made) accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of each of the Company, the Sole Sponsor, the Sponsor-Overall Coordinator and the Overall Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreements (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

HONG KONG UNDERWRITERS

CLSA Limited
China International Capital Corporation Hong Kong Securities Limited
CMB International Capital Limited
GF Securities (Hong Kong) Brokerage Limited
ABCI Securities Company Limited
Cheer Union Securities Limited
China Industrial Securities International Capital Limited
CNI Securities Group Limited
Futu Securities International (Hong Kong) Limited
ICBC International Securities Limited
Livermore Holdings Limited
Shenwan Hongyuan Securities (H.K.) Limited
Sinolink Securities (Hong Kong) Company Limited
STAR RIVER SECURITIES LIMITED
Sun Securities Limited
Tiger Brokers (HK) Global Limited
TradeGo Markets Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering on the Main Board as mentioned in this prospectus (including any additional H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice from the Sole Sponsor and the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time prior to 8:00 a.m. on the Listing Date if:

(1) there develops, occurs, exists or comes into effect:

(a) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including contagious coronavirus (COVID-19), SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the PRC, Malaysia, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(b) any change or any development involving a prospective change or development in (whether or not permanent), or any event or circumstance or series of events resulting or likely to result in any change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, currency, credit, currency or market conditions, or exchange control or any monetary or trading settlement system or other financial markets (including, but not limited to, a change in the conditions in stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or Renminbi is linked to any foreign currency or currencies) in or affecting any of the Relevant Jurisdictions; or

(c) any moratorium, suspension, limitation or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange or the NASDAQ Global Market; or

(d) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at the U.S. Federal or New York State level or by other competent Authority), London or any other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any Relevant Jurisdiction; or

(f) any imposition of economic sanctions, or the withdrawal of trading privileges, in respect of any jurisdiction relevant to the business operations of our Group, in whatever form, directly and indirectly, by, or for, any Relevant Jurisdictions; or

(g) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(h) any litigation, legal action (except for any investigation or other action as stipulated in (i) below) or claim being threatened or instigated against any member of our Group or any Director or Supervisor; or

(i) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or Supervisor; or

(j) any Director, Supervisor or senior management member of our Company as named in this prospectus being charged with or found guilty of an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company or there is commencement by any authority of any investigation or other action against any Director, Supervisor or member of senior management of our Company in his or her capacity as such or any member of our Group or any announcement by any authority that it intends to commence any such investigation or take any such action; or

(k) any Director, or president or financial controller of our Company vacating his or her office; or

(l) save as disclosed in this prospectus, any contravention by any member of our Group or any Director or Supervisor of any applicable laws (including, without limitation, the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance); or

(m) a prohibition by any competent authority on our Company for whatever reason from offering, allotting, issuing, selling the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(n) any change or development involving a prospective change which has the effect of materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(o) non-compliance of this prospectus, the CSRC Filings (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or any other applicable laws; or

(p) any breach or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties; or

(q) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, the SFC and/or the CSRC; or

(r) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition, compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(s) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity, which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(A) has or will have or is likely to have a material adverse effect or change, or any development involving a prospective material adverse effect or change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering, or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or

(D) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Sole Sponsor and/or the Sponsor-Overall Coordinator as at or after the date of the Hong Kong Underwriting Agreements:

(a) that any statement contained in any of the Offering Documents, the Operative Documents, the PHIP (as defined in the Hong Kong Underwriting Agreement) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading or deceptive in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest, not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement from any of the Offer Related Documents; or

(c) a prohibition by a relevant authority on the Company for whatever reason from allotting or issuing the Shares (including the H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(d) that any breach of the obligations or undertakings imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Sole Sponsor, Hong Kong Underwriters or the International Underwriters); or

(e) any event, act or omission which gives rise to or is likely to give rise to any liability of our Company or any of the Controlling Shareholders under the Hong Kong Underwriting Agreement; or

(f) that there is any material adverse effect or change, or any development involving a prospective material adverse effect or change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or

(g) that the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(h) that our Company withdraws any of this prospectus, the formal notice or the Global Offering; or

(i) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or

(j) any of the experts specified in this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(k) the orders or investment commitments by any placee or cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(l) that there is a breach of, or any matter circumstance or event rendering any of the warranties given by our Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate; or

(m) a material portion of the orders in the book-building process have been withdrawn, terminated or cancelled,

then the Sole Sponsor and the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), shall be entitled, in their sole and absolute discretion, by giving a written notice to our Company and our Controlling Shareholders, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange, that no further Shares or securities convertible into equity securities of our Company (including warrants or other convertible securities) (whether or not of a class already listed) may be issued or sold or transferred out of treasury or form the subject of any agreement to such an issue, or sale or transfer out of treasury by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company, or sale or transfer of shares out of treasury will be completed within six months from the Listing Date), except pursuant to the Global Offering and the exercise of the Over-allotment Option or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

By virtue of Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering and the Over-allotment Option, it will not and will procure that the relevant registered holder(s) (if any) of our H Shares in which any of them has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

(i) in the period commencing from the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the H Shares in respect of which they are shown to be the beneficial owner in this prospectus (the "**Relevant Shares**"); and

(ii) in the period of six months commencing from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares to such extent that, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or a member of a group of our Controlling Shareholders or would together with the other Controlling Shareholders cease to be a controlling shareholder (as defined in the Listing Rules).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when it pledges or charges any Relevant Shares in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Relevant Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any H Shares that any of the pledge or charged Relevant Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in the above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries, that except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling the First Six-Month Period, our Company will not, without the prior written consent of the Sole Sponsor and the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, make any short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company, or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing), or deposit any H Shares or other equity securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or other securities of our Company, or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to enter into any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of H Shares or other equity securities of our Company, or any shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other equity securities of our Company will be completed within the First Six-Month Period).

Our Company has further agreed that, in the event our Company is allowed to enter into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to enter into any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the

"**Second Six-Month Period**"), it shall take all reasonable steps to ensure that it will not, and no other act of our Company will, create a disorderly or false market in the securities of our Company.

Our Controlling Shareholders have jointly and severally undertaken to each of the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken to each of the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that we will, and the Controlling Shareholders undertake to procure that our Company will, comply with the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange (the "**Minimum Public Float Requirement**"), and we will not effect any purchase of the H Shares, or agree to do so, which may reduce the holdings of H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to breach the Minimum Public Float Requirement without first having obtained the prior written consent of the Sole Sponsor and the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters).

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed and undertaken to each of the Company, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering and the exercise of the Over-allotment Option and the issue of the H Shares thereof, without the prior written consent of the Sole Sponsor and the Sponsor-Overall Coordinator, (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it/he/she will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, make short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of our Company, as applicable), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or contract to or agree to or announce any intention to enter into any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);

(ii) until the expiry of the Second Six-Month Period, it/he/she will not enter into any of the transactions specified in (a), (b), (c) or (d) above or offer to or agree to or announce any intention to enter into any such transaction, if, immediately following such transaction, it/he/she will cease, whether individually or collectively with the other Controlling Shareholders, to be a controlling shareholder of our Company. In the event that it/he/she enters into any of the transactions specified in Clause (a), (b), (c) or (d) above or offers to or agrees to or announces any intention to enter into any such transaction after the expiry of the Second Six-Month Period, it/he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Sponsor, the Sponsor-Overall Coordinator and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting

Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the H Shares held by it in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in "— Underwriting Arrangements and Expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — (B) Undertakings by our Controlling Shareholders" above.

Over-allotment Option and Stabilization

We expect to grant to the International Underwriters, exercisable in whole or in part by the Sponsor-Overall Coordinator at absolute discretion (for itself and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until up to (and including) the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 4,510,550 H Shares, representing no more than 15.0% of the number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

For more details of the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering" in this prospectus.

Commission and Expenses

Our Company will pay an underwriting commission of 1.98% of the aggregate Offer Price of all the Offer Shares (including H Shares to be issued if the Over-allotment Option is exercised) (the "**Fixed Fees**"). Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 0.3% of the aggregate Offer Price for all of the Offer Shares (including H Shares to be issued if the Over-allotment Option is exercised) (the "**Discretionary Fees**"). The ratio of the Fixed Fees and Discretionary Fees payable is therefore approximately 79%: 21% (on the basis that the Discretionary Fees will be fully paid). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised, based on the Offer Price of HK$58.00 per H Share, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses payable by us relating to the Global Offering are currently estimated to amount in aggregate to approximately HK$73.0 million.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Sponsor-Overall Coordinator and the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 3,007,050 H Shares (subject to reallocation) in Hong Kong, as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of initially 27,063,450 H Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in "— The International Offering" below.

The 30,070,500 H Shares initially being offered in the Global Offering will represent approximately 7.65% of the total number of issued Shares immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 3,007,050 Hong Kong Offer Shares, representing 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.8% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement. Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 1,503,550 Hong Kong Offer Shares and pool B will comprise 1,503,500 Hong Kong Offer Shares initially. Both of which are available on an equitable basis to successful applicants. All valid applications that have applied for Hong Kong Offer Shares with an aggregate subscription price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of HK$5 million or below will fall into pool A. All valid applications that have applied for Hong Kong Offer Shares with an aggregate subscription price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of over HK$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this sub-section only, the "price" for Offer Shares means the price payable on application therefor which is HK$58.00 per Offer Share.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 1,503,500 Hong Kong Offer Shares (being approximately 50% of the 3,007,050 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sponsor-Overall Coordinator. Subject to the allocation cap described in the subsequent paragraph, the Sponsor-Overall Coordinator may in its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Sponsor-Overall Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sponsor-Overall Coordinator deem appropriate.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 1,503,500 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 4,510,550 Offer Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Given the initial allocation of the Offer Shares to the Hong Kong Public Offering and the International Offering follows Mechanism B set out under paragraph 2 of Chapter 4.14 of the Guide and the provision of Paragraph 4.2(b) of Practice Note 18 of the Listing Rules, no mandatory clawback or reallocation mechanism is required to increase the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering expected to be published on Thursday, December 4, 2025.

Applications

The Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sponsor-Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for H Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the price of HK$58.00 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. Further details are set out in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 27,063,450, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of the Offer Shares under the International Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the exercise of the Over-allotment Option in whole or in part described in "— Over-allotment Option" below and/or any reallocation of unsubscribed Hong Kong Offer Shares to the International Offering at the discretion of the Sponsor-Overall Coordinator.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sponsor-Overall Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 4,510,550 new H Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.1% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, *inter alia*, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 4,510,550 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell any of our H Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applications for investors in the Offer Shares should note that:

(a) as a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares;

(b) the size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;

(c) liquidation of any such long position by the Stabilizing Manager and selling in the open market may lead to a decline in the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period, which begins on the Listing Date, and is expected to expire on Thursday, January 1, 2026, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and their market price, could fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market;

(e) any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will be HK$58.00 per H share, unless otherwise announced. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the Offer Price of HK$58.00 per H Share, plus 1.0% brokerage, 0.0027% SFC transaction levy, AFRC transaction levy of 0.00015% and 0.00565% Stock Exchange trading fee.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Sponsor-Overall Coordinator (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of our Company at **http://www.sicty.com** and the website of the Stock Exchange at **www.hkexnews.hk**, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering, which is Tuesday, December 2, 2025. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism and the exercise of the Over-allotment Option as disclosed in this prospectus), or change to the Offer Price, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and issue a supplemental prospectus or a new prospectus and subsequently relaunch the Global Offering on FINI pursuant to the supplemental prospectus.

In the event of a reduction in the number of Offer Shares, the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the results of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations are expected to be announced on Thursday, December 4, 2025 on the website of our Company at **http://www.sicty.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Agreement being signed and becoming unconditional.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around December 3, 2025.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and the H Shares to be issued pursuant to the (i) Global Offering, and (ii) the exercise of the Over-allotment Option, and such approval not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the execution and delivery of the International Underwriting Agreement on or around the December 3, 2025; and

(c) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **http://www.sicty.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering (including the H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 5, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 5, 2025. The H Shares will be traded in board lots of 50 H Shares. The stock code of the H Shares will be 2658.

IMPORTANT NOTICE TO INVESTORS
OF HONG KONG OFFER SHARES
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at http://www.sicty.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

- You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:
- are 18 years of age or older; and
- have a Hong Kong address (for the **HK eIPO White Form** service only).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or its close associates; or
- are a Director or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, November 27, 2025 and end at 12:00 noon on Tuesday, December 2, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, November 27, 2025 to 11:30 a.m. on Tuesday, December 2, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, December 2, 2025, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit a **HKSCC EIPO** application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:

  i. HKID card; or
  ii. National identification document; or
  iii. Passport; and

- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:

  i. LEI registration document; or
  ii. Certificate of incorporation; or
  iii. Business registration certificate; or
  iv. Other equivalent document; and

- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI[(1)] is capped at four in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sponsor-Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	50 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK$58.00 per H Share.

If you are applying through the **HKSCC EIPO** channel, your broker or custodian may require you to pre-fund your application, in such amount as determined by the broker or custodian, based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your broker or custodian with respect to the Hong Kong Offer Shares you applied for.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment *HK$*
50	2,929.24	1,000	58,584.94	20,000	1,171,698.60	700,000	41,009,451.00
100	5,858.50	1,500	87,877.40	30,000	1,757,547.90	800,000	46,867,944.00
150	8,787.73	2,000	117,169.85	40,000	2,343,397.20	900,000	52,726,437.00
200	11,716.99	2,500	146,462.33	50,000	2,929,246.50	1,000,000	58,584,930.00
250	14,646.23	3,000	175,754.79	60,000	3,515,095.80	1,503,500(1)	88,082,442.25
300	17,575.48	3,500	205,047.25	70,000	4,100,945.10		
350	20,504.73	4,000	234,339.72	80,000	4,686,794.40		
400	23,433.97	4,500	263,632.19	90,000	5,272,643.70		
450	26,363.21	5,000	292,924.66	100,000	5,858,493.00		
500	29,292.46	6,000	351,509.58	200,000	11,716,986.00		
600	35,150.96	7,000	410,094.51	300,000	17,575,479.00		
700	41,009.45	8,000	468,679.45	400,000	23,433,972.00		
800	46,867.94	9,000	527,264.36	500,000	29,292,465.00		
900	52,726.44	10,000	585,849.30	600,000	35,150,958.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited. Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Sponsor-Overall Coordinator, as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, and any of their or our Company's respective directors, officers, employees, partners, agents, advisors, and representatives, and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "— G. Personal Data — 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Sponsor-Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
Website	From the "Allotment Results" page at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function	24 hours, from 11:00 p.m. on Thursday, December 4, 2025 to 12:00 midnight on Wednesday, December 10, 2025 (Hong Kong time).
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.sicty.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Thursday, December 4, 2025 (Hong Kong time).

Platform		Date/Time
Telephone	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar.	Between 9:00 a.m. and 6:00 p.m., from Friday, December 5, 2025 to Wednesday, December 10, 2025 (Hong Kong time) on a business day.

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Wednesday, December 3, 2025 (Hong Kong time), HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, December 3, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.sicty.com** by no later than 11:00 p.m. on Thursday, December 4, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sponsor-Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sponsor-Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted H Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Dispatch/collection of H Share certificate[1]		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.
	Time: from 9:00 a.m. to 1:00 p.m. on Friday, December 5, 2025 (Hong Kong time).	No action by you is required.

[1] Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in the morning on Thursday, December 4, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Bad Weather Arrangements" in this section.

	HK eIPO White Form service	HKSCC EIPO channel
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. **Note:** If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. Date: Thursday, December 4, 2025.	

Refund mechanism for surplus application monies paid by you

Date	Friday, December 5, 2025.	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar.	Your broker or custodian.

	HK eIPO White Form service	HKSCC EIPO channel
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk.	

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, December 2, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 2, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Bad Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.sicty.com** of the revised timetable.

If a Bad Weather Signal is hoisted on Thursday, December 4, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository's service counter so that they would be available for trading on Friday, December 5, 2025.

If a Bad Weather Signal is hoisted on Thursday, December 4, 2025, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the Bad Weather Signal is lowered or canceled (e.g. in the afternoon of Thursday, December 4, 2025 or on Friday, December 5, 2025).

If a Bad Weather Signal is hoisted on Friday, December 5, 2025, for application of 1,000,000 Hong Kong Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar's Office after the Bad Weather Signal is lowered or canceled (e.g. in the afternoon of Friday, December 5, 2025 or on Monday, December 8, 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;

- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-95, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 廣東天域半導體股份有限公司 GUANGDONG TIANYU SEMICONDUCTOR CO., LTD. (FORMERLY KNOWN AS 東莞市天域半導體科技有限公司 DONGGUAN TIANYU SEMICONDUCTOR TECHNOLOGY CO., LTD.) AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 廣東天域半導體股份有限公司 Guangdong Tianyu Semiconductor Co., Ltd. (formerly known as 東莞市天域半導體科技有限公司 Dongguan Tianyu Semiconductor Technology Co., Ltd.) (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-95, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and 31 May 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2022, 2023 and 2024 and the five months ended 31 May 2025 (the "**Track Record Period**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-95 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 November 2025 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2022, 2023 and 2024 and 31 May 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding 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 cash flow statement for the five months ended 31 May 2024 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, 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 Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 29(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 November 2025

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shenzhen Branch (畢馬威華振會計師事務所(特殊普通合夥)深圳分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

		Year ended 31 December			Five months ended 31 May	
	Note	**2022**	**2023**	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	4	436,855	1,171,214	519,622	297,269	256,836
Cost of sales		(349,369)	(954,596)	(893,982)	(324,326)	(199,071)
Gross profit/(loss)		87,486	216,618	(374,360)	(27,057)	57,765
Other net income	5	3,526	55,928	13,377	7,718	15,255
Selling and distribution expenses		(8,101)	(11,956)	(19,023)	(6,931)	(6,693)
Administrative and other operating expenses		(42,414)	(74,362)	(113,599)	(68,246)	(14,993)
Research and development expenses		(29,235)	(55,343)	(61,032)	(30,339)	(19,874)
Profit/(loss) from operations		11,262	130,885	(554,637)	(124,855)	31,460
Finance costs	6(a)	(7,516)	(19,876)	(34,551)	(12,057)	(19,870)
Profit/(loss) before taxation	6	3,746	111,009	(589,188)	(136,912)	11,590
Income tax (expense)/credit	7(a)	(932)	(15,127)	88,936	22,130	(2,075)
Profit/(loss) and total comprehensive income for the year/period		2,814	95,882	(500,252)	(114,782)	9,515
Attributable to:						
Equity shareholders of the Company		6,951	101,436	(492,455)	(111,927)	12,504
Non-controlling interests		(4,137)	(5,554)	(7,797)	(2,855)	(2,989)
Profit/(loss) and total comprehensive income for the year/period		2,814	95,882	(500,252)	(114,782)	9,515
Earnings/(loss) per share	10					
Basic and diluted (RMB)		0.02	0.28	(1.36)	(0.31)	0.03

The accompanying notes are integral part of these Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 31 May 2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	415,296	1,391,096	2,338,738	2,495,397
Right-of-use assets	12	96,599	205,377	195,850	191,652
Intangible assets	13	254	312	3,452	3,177
Prepayments, deposits and other receivables	15	219,290	382,202	233,310	124,584
Deferred tax assets	26(a)	32,074	16,944	105,894	103,819
		763,513	1,995,931	2,877,244	2,918,629
Current assets					
Inventories	16	89,887	394,548	183,399	98,950
Trade and bills receivables	17	194,433	350,423	147,538	340,003
Prepayments, deposits and other receivables	15	242,929	92,475	118,973	76,344
Restricted cash	18	3,308	21,039	37,822	27,331
Cash and cash equivalents	18	464,477	188,607	114,577	95,349
		995,034	1,047,092	602,309	637,977
Current liabilities					
Trade and bills payables	19	53,023	210,964	158,750	129,614
Other payables and accruals	20	82,025	264,260	323,729	207,427
Contract liabilities	21	4,197	4,146	1,877	3,835
Bank loans and other borrowings	22	—	298,960	634,559	508,291
Lease liabilities	23	4,014	8,103	6,351	6,476
		143,259	786,433	1,125,266	855,643
Net current assets/(liabilities)		851,775	260,659	(522,957)	(217,666)
Total assets less current liabilities		1,615,288	2,256,590	2,354,287	2,700,963

	Note	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 May 2025 RMB'000
Non-current liabilities					
Bank loans and other borrowings	22	—	484,758	1,059,620	1,344,598
Lease liabilities	23	16,190	54,042	48,754	46,018
Deferred income	25	23,638	21,005	26,200	70,245
Deferred tax liabilities	26(a)	93	90	104	104
		39,921	559,895	1,134,678	1,460,965
NET ASSETS		1,575,367	1,696,695	1,219,609	1,239,998
CAPITAL AND RESERVES					
Paid-in/share capital	29(b)/(c)	363,198	363,198	363,198	363,198
Reserves		1,202,363	1,321,030	851,741	875,119
Total equity attributable to equity shareholders of the Company		1,565,561	1,684,228	1,214,939	1,238,317
Non-controlling interests		9,806	12,467	4,670	1,681
TOTAL EQUITY		1,575,367	1,696,695	1,219,609	1,239,998

The accompanying notes are integral part of these Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 31 May 2025
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	380,170	1,341,785	2,289,662	2,440,121
Right-of-use assets	12	90,554	200,980	191,807	187,990
Intangible assets	13	88	22	3,265	3,034
Prepayments, deposits and other receivables	15	213,319	381,095	233,065	102,780
Investment in subsidiaries	14	53,612	53,612	53,612	75,612
Deferred tax assets	26(a)	32,074	16,944	105,894	103,819
		769,817	1,994,438	2,877,305	2,913,356
Current assets					
Inventories	16	69,329	380,445	174,386	90,488
Trade and bills receivables	17	188,282	345,046	139,182	327,995
Prepayments, deposits and other receivables	15	257,416	116,201	154,875	118,318
Restricted cash	18	3,308	21,039	37,822	27,331
Cash and cash equivalents	18	460,589	183,805	113,842	92,030
		978,924	1,046,536	620,107	656,162
Current liabilities					
Trade and bills payables	19	50,136	209,869	156,389	123,772
Other payables and accruals	20	76,311	259,031	319,180	195,234
Contract liabilities	21	4,124	4,010	1,728	1,518
Bank loans and other borrowings	22	—	298,960	634,559	508,291
Lease liabilities	23	2,029	5,322	5,560	5,672
		132,600	777,192	1,117,416	834,487
Net current assets/(liabilities)		846,324	269,344	(497,309)	(178,325)
Total assets less current liabilities		1,616,141	2,263,782	2,379,996	2,735,031

	Note	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 May 2025 RMB'000
Non-current liabilities					
Bank loans and other borrowings	22	—	484,758	1,059,620	1,344,598
Lease liabilities	23	11,460	50,976	45,416	43,018
Deferred income	25	10,783	8,079	13,056	57,788
		22,243	543,813	1,118,092	1,445,404
NET ASSETS		1,593,898	1,719,969	1,261,904	1,289,627
CAPITAL AND RESERVES					
Paid-in/share capital	29(b)/(c)	363,198	363,198	363,198	363,198
Reserves		1,230,700	1,356,771	898,706	926,429
TOTAL EQUITY		1,593,898	1,719,969	1,261,904	1,289,627

The accompanying notes are integral part of these Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Paid-in capital RMB'000 (Note 29(b))	Share capital RMB'000 (Note 29(c))	Capital reserve RMB'000 (Note 29(e)(i))	PRC statutory reserve RMB'000 (Note 29(e)(ii))	Other reserve RMB'000 (Note 29(e)(iii))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	97,704	—	268,984	—	(70,000)	(369,638)	(72,950)	8,943	(64,007)
Changes in equity for 2022:									
Profit/(loss) and total comprehensive income for the year	—	—	—	—	—	6,951	6,951	(4,137)	2,814
Reclassification of financial instruments issued to investors as equity *(Note 24)*	—	—	—	—	224,934	—	224,934	—	224,934
Capital injection from non-controlling interests	—	—	—	—	—	—	—	5,000	5,000
Deemed contribution from shareholders	—	—	4,715	—	—	—	4,715	—	4,715
Capital injection from investors before conversion into a joint stock company *(Note 29(b))*	11,270	—	891,730	—	—	—	903,000	—	903,000
Conversion into a joint stock company *(Note 29(c))*	(108,974)	108,974	(181,326)	—	—	181,326	—	—	—
Equity settled share-based transactions *(Note 28)*	—	—	7,911	—	—	—	7,911	—	7,911
Conversion of capital reserve into share capital *(Note 29(c)(iii))*	—	250,000	(250,000)	—	—	—	—	—	—
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	241	—	(241)	—	—	—
Capital injection from investors after conversion into a joint stock company *(Note 29(c)(ii))*	—	4,224	486,776	—	—	—	491,000	—	491,000
Balance at 31 December 2022	—	363,198	1,228,790	241	154,934	(181,602)	1,565,561	9,806	1,575,367

	Attributable to equity shareholders of the Company								
	Paid-in capital	**Share capital**	**Capital reserve**	**PRC statutory reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29(b))	*(Note 29(c))*	*(Note 29(e)(i))*	*(Note 29(e)(ii))*	*(Note 29(e)(iii))*				
Balance at 1 January 2023	—	363,198	1,228,790	241	154,934	(181,602)	1,565,561	9,806	1,575,367
Changes in equity for 2023:									
Profit/(loss) and total comprehensive income for the year	—	—	—	—	—	101,436	101,436	(5,554)	95,882
Capital injection from non-controlling interests	—	—	—	—	—	—	—	8,215	8,215
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	10,884	—	(10,884)	—	—	—
Equity-settled share-based transactions *(Note 28)*	—	—	17,231	—	—	—	17,231	—	17,231
Balance at 31 December 2023	—	363,198	1,246,021	11,125	154,934	(91,050)	1,684,228	12,467	1,696,695

	Attributable to equity shareholders of the Company								
	Paid-in capital	**Share capital**	**Capital reserve**	**PRC statutory reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29(b))	*(Note 29(c))*	*(Note 29(e)(i))*	*(Note 29(e)(ii))*	*(Note 29(e)(iii))*				
Balance at 1 January 2024	—	363,198	1,246,021	11,125	154,934	(91,050)	1,684,228	12,467	1,696,695
Changes in equity for 2024:									
Loss and total comprehensive income for the year	—	—	—	—	—	(492,455)	(492,455)	(7,797)	(500,252)
Equity-settled share-based transactions *(Note 28)*	—	—	23,166	—	—	—	23,166	—	23,166
Balance at 31 December 2024	—	363,198	1,269,187	11,125	154,934	(583,505)	1,214,939	4,670	1,219,609

	Attributable to equity shareholders of the Company								
	Paid-in capital	Share capital	Capital reserve	PRC statutory reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29(b))	*(Note 29(c))*	*(Note 29(e)(i))*	*(Note 29(e)(ii))*	*(Note 29(e)(iii))*				
Balance at 1 January 2025	—	363,198	1,269,187	11,125	154,934	(583,505)	1,214,939	4,670	1,219,609
Changes in equity for the five months ended 31 May 2025									
Profit/(loss) and total comprehensive income for the period	—	—	—	—	—	12,504	12,504	(2,989)	9,515
Equity-settled share-based transactions *(Note 28)*	—	—	10,874	—	—	—	10,874	—	10,874
Balance at 31 May 2025	—	363,198	1,280,061	11,125	154,934	(571,001)	1,238,317	1,681	1,239,998
(Unaudited)									
Balance at 1 January 2024	—	363,198	1,246,021	11,125	154,934	(91,050)	1,684,228	12,467	1,696,695
Changes in equity for the five months ended 31 May 2024:									
Loss and total comprehensive income for the period	—	—	—	—	—	(111,927)	(111,927)	(2,855)	(114,782)
Equity settled share-based transactions *(Note 28)*	—	—	6,818	—	—	—	6,818	—	6,818
Balance at 31 May 2024	—	363,198	1,252,839	11,125	154,934	(202,977)	1,579,119	9,612	1,588,731

The accompanying notes are integral part of these Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December 2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*	Five months ended 31 May 2024 *RMB'000* (unaudited)	2025 *RMB'000*
Operating activities						
Cash (used in)/generated from operations	18(b)	(262,186)	87,394	(62,266)	109,875	61,092
Net cash (used in)/generated from operating activities		(262,186)	87,394	(62,266)	109,875	61,092
Investing activities						
Payment for purchase of property, plant and equipment and intangible assets		(437,706)	(1,021,310)	(840,289)	(283,646)	(215,499)
Payment for purchase of leasehold lands		(78,153)	(72,258)	—	—	—
Payment for purchase of intangible assets		—	(229)	(3,598)	(1,302)	(84)
Interest received		1,413	3,379	1,081	383	98
Net cash used in investing activities		(514,446)	(1,090,418)	(842,806)	(284,565)	(215,485)

	Note	Year ended 31 December 2022 RMB'000	2023 RMB'000	2024 RMB'000	Five months ended 31 May 2024 RMB'000 (unaudited)	2025 RMB'000
Financing activities						
Capital injection by investors		1,394,000	—	—	—	—
Capital injection by non-controlling interests		5,000	8,215	—	—	—
Proceeds from bank loans and other borrowings	18(c)	248,767	1,153,606	1,413,052	297,200	495,563
Repayment of bank loans and other borrowings	18(c)	(430,518)	(370,414)	(487,867)	(175,424)	(332,413)
Capital element of lease rentals paid	18(c)	(2,352)	(5,372)	(7,427)	(3,330)	(2,611)
Interest element of lease rentals paid	18(c)	(790)	(2,287)	(2,739)	(1,180)	(1,052)
Payment for guarantee of other borrowings		—	(19,763)	(6,750)	(4,750)	—
Payment for listing expenses		—	—	(4,734)	—	(3,828)
Decrease/(increase) in restricted cash		850	(17,731)	(16,783)	9,694	10,491
Interests paid	18(c)	(4,257)	(19,371)	(56,677)	(20,693)	(30,951)
Net cash generated from financing activities		1,210,700	726,883	830,075	101,517	135,199
Net increase/(decrease) in cash and cash equivalents		434,068	(276,141)	(74,997)	(73,173)	(19,194)
Effect of exchange rate changes		(1,257)	271	967	(34)	(34)
Cash and cash equivalents at the beginning of the year/period		31,666	464,477	188,607	188,607	114,577
Cash and cash equivalents at the end of the year/period	18(a)	464,477	188,607	114,577	115,400	95,349

The accompanying notes are integral part of these Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司) (the "**Company**"), formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd. (東莞市天域半導體科技有限公司), was incorporated in Dongguan, Guangdong Province, the People's Republic of China (the "**PRC**") on 7 January 2009 as a limited liability company. In November 2022, the Company was converted from a limited liability company into a joint stock limited liability company.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in design, research and development and manufacture of various types of silicon carbide ("**SiC**") epitaxial wafers.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of RMB217,666,000 as at 31 May 2025. Based on the projection of profit and cashflow forecast, the directors of the Company are of the opinion that the Group has sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for at least the next twelve months from the date of this report. Therefore, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand (RMB'000) except when otherwise indicated. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment losses (see Note 2(h)(ii)).

(d) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries are as follows.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— Fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income ("**OCI**"). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 2(s)(ii)(c)).

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any impairment losses (see Note 2(h)):

— right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

— The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold land is depreciated over the unexpired term of lease.

— Machinery and equipment	5–10 years
— Vehicles	5 years
— Office equipment and others	3–5 years
— Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortisation and impairment losses (see Note 2(h)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

—	Software	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(e) and 2(h)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Note 2(d)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the Historical Financial Information, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and bills receivables and prepayments, deposits and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected live of the instrument is less than 12 months); and

— lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 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 actions such as realising security (if any is held); or

— the financial asset is more than 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial assets in the consolidated statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are to reduce the carrying amounts of the assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(h)(i)).

(k) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank deposits which are restricted to use are presented separately in consolidated statements of financial position as "Restricted cash". Restricted cash is excluded from cash and cash equivalents in the consolidated cash flow statements.

Cash and cash equivalents and restricted cash are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Financial instruments issued to investors

The Company entered into a series of investment agreements with some independent investors (the "**Financial Instruments Issued to Investors**"). The instrument holders had the right to require the Company to redeem all of the instruments held by the instrument holders at a predetermined amount upon certain redemption events, which are not all within the control of the Group.

The Company's contractual obligation to deliver cash or other financial assets to the holders of such financial instruments upon events that are beyond the control of the Group gives rise to a financial liability.

The financial liabilities are measured at an amount expected to be paid to the investors upon the occurrence of any of the redemption events which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(u).

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see Note 2(j)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)(ii)(a)).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in Chinese Mainland are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share awards granted to employees is recognised as an employee cost with a corresponding increase in the capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the awards is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of share awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year/period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the right is exercised (when it is included in the amount recognised in share capital for the shares issued) or the shares expires (when it is released directly to retained profits).

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year/period and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(c) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group has only one single reportable segment. Accordingly, no segmental analysis is presented.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the Historical Financial Information:

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstance indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Impairment of trade and bills receivables and prepayment, deposits and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and bills receivables and prepayment, deposits and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's profit or loss and net assets value. The Group reassesses these estimates annually.

(d) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted retrospectively if there are significant changes from previous estimates.

(e) Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the sales of SiC epitaxial wafer and other products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by major products					
4-inch epitaxial wafer	11,492	8,252	7,615	1,571	2,559
6-inch epitaxial wafer	386,849	1,118,328	455,849	289,375	158,051
8-inch epitaxial wafer	—	517	20,959	1,749	63,960
Other sales and services	38,514	44,117	35,199	4,574	32,266
	436,855	1,171,214	519,622	297,269	256,836

All revenue was recognised at a point in time.

(ii) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group in the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2024 and 2025 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	92,139	N/A*	N/A*	N/A*	35,135
Customer B	79,721	119,232	N/A*	N/A*	27,949
Customer C	45,854	N/A*	N/A*	N/A*	N/A*
Customer D	N/A*	491,791	N/A*	35,968	N/A*
Customer E	N/A*	125,738	N/A*	N/A*	26,512
Customer F	N/A*	N/A*	225,907	144,546	42,580
Customer G	N/A*	N/A*	63,549	41,008	N/A*
Customer H	N/A*	N/A*	N/A*	30,158	N/A*
Customer I	N/A*	N/A*	N/A*	N/A*	26,642

* Revenue from relevant customers was less than 10% of the Group's total revenue for the respective year/period.

Details of concentrations of credit risk arising from these customers are set out in Note 30(a). For the Track Record Period, certain amounts of revenue are related to sales to related parties (see Note 32(c)).

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of electronic products that had an original expected duration of one year or less.

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Chinese Mainland	381,986	652,969	474,857	258,507	255,591
Hong Kong	5,936	12,733	1,065	945	27
South Korea	47,696	499,424	39,305	37,084	150
Others	1,237	6,088	4,395	733	1,068
	436,855	1,171,214	519,622	297,269	256,836

All assets of the Group are located in Chinese Mainland and no analysis of geographic information is presented.

5 OTHER NET INCOME

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income from bank deposits	1,413	3,379	1,081	383	98
Government grants *(note)*	6,382	27,607	11,063	5,776	14,944
(Loss)/gain on disposals of property, plant and equipment	(1,145)	(3)	85	(8)	—
Compensation income	—	21,558	—	—	—
Net foreign exchange (loss)/gain	(3,221)	3,279	959	1,249	91
Others	97	108	189	318	122
	3,526	55,928	13,377	7,718	15,255

Note: The amounts mainly represented government incentive and support to the Group received during the Track Record Period. There are no unfulfilled conditions or contingencies relating to the grants.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on bank loans and other borrowings	6,239	19,897	41,953	14,156	26,511
Interest expenses on loan from related parties *(Note 32)*	487	—	—	—	—
Interest on lease liabilities	790	2,287	2,739	1,180	1,052
	7,516	22,184	44,692	15,336	27,563
Less: Interest expense capitalised into property, plant and equipment *(note)*	—	(2,308)	(10,141)	(3,279)	(7,693)
	7,516	19,876	34,551	12,057	19,870

Note: The borrowing costs have been capitalised at the rates of 4.00%–4.50%, 3.60%–4.50%, 3.60%–4.50% and 3.60%–3.90% per annum for the years ended 31 December 2023, 2024 and five months ended 31 May 2024 and 2025, respectively.

(b) Staff costs (including directors' and supervisors' emoluments)

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	43,202	80,617	78,262	35,758	30,715
Contributions to defined contribution retirement plans	3,182	7,039	10,790	4,118	4,115
Equity-settled share-based payment expenses *(Note 28)*	7,911	17,231	23,166	6,818	10,874
	54,295	104,887	112,218	46,694	45,704

(c) Other items

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amortisation of intangible assets *(Note 13)*	143	171	458	120	359
Depreciation charge					
— Owned property, plant and equipment *(Note 11)*	31,431	80,018	120,420	51,337	58,417
— Right-of-use assets *(Note 12)*	2,902	9,123	10,395	4,525	4,198
	34,333	89,141	130,815	55,862	62,615
Auditors' remuneration	555	1,228	1,337	129	15
Listing expenses	—	—	3,393	—	2,744
Cost of inventories sold *(note) (Note 16(b))*	348,082	953,137	892,659	323,881	199,291
Provision/(reversal of provision) for impairment losses on financial assets					
— Trade receivables *(Note 30(a))*	1,025	8,495	45,040	42,833	(14,116)
— Bills receivables *(Note 30(a))*	—	933	—	—	3
— Other receivables *(Note 30(a))*	(115)	138	—	(46)	32
	910	9,566	45,040	42,787	(14,081)

Note: Cost of inventories includes RMB37,522,000, RMB106,787,000, RMB122,799,000, RMB50,948,000 (unaudited) and RMB49,025,000 for the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2024 and 2025, respectively, relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Deferred tax					
Origination and reversal of temporary differences *(Note 26(a))*	932	15,127	(88,936)	(22,130)	2,075
Income tax expense/(credit)	932	15,127	(88,936)	(22,130)	2,075

Notes:

(i) In accordance with relevant PRC rules and regulations, the PRC Corporate Income Tax rate applicable to the Company and Company's subsidiaries registered in Chinese Mainland is principally 25% during the Track Record Period, except as described below:

(a) Guangdong Tianyu Semiconductor Co., Ltd. was originally qualified as the High and New Technology Enterprise ("**HNTE**") and entitled to a preferential tax rate of 15% until 2025.

(b) Dongguan Southern Semiconductor Technology Co., Ltd. was qualified as HNTE and entitled to a preferential tax rate of 15% until 2027.

(c) Dongguan Hengxin Third Generation Semiconductor Research Institute was qualified as the Small and Micro Enterprise and entitled to preferential tax rates of 5% during the Track Record Period.

(ii) The additional deduction for research and development expenses mainly represents an additional 100% tax deduction on eligible research and development expenses incurred by Guangdong Tianyu Semiconductor Co., Ltd. and Dongguan Southern Semiconductor Technology Co., Ltd. during the Track Record Period.

(b) Reconciliation between tax expense/(credit) and accounting profit/(loss) at applicable tax rates:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation	3,746	111,009	(589,188)	(136,912)	11,590
Notional tax on profit/(loss) before taxation, calculated at the tax rates applicable to the respective tax jurisdictions	562	16,651	(88,378)	(20,537)	1,739
Tax effect of PRC preferential tax treatments	(1)	9	9	4	10
Tax effect of non-deductible expenses	552	315	188	100	76
Tax effect of non-taxable income	—	(686)	—	—	—
Tax effect of unused tax losses and deductible temporary differences not recognised	3,401	6,138	7,276	2,368	2,839
Tax effect of utilisation of tax losses and deductible temporary differences not recognised in prior years/periods	—	(104)	(8)	(2)	(160)
Additional deduction for research and development expenses	(3,582)	(7,196)	(8,023)	(4,063)	(2,429)
Actual tax expense/(credit)	932	15,127	(88,936)	(22,130)	2,075

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments during the Track Record Period are as follows:

For the year ended 31 December 2022

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	901	1,154	42	2,097	—	2,097
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	30	—	—	—	30	—	30
Ms. Li Min 李旻	30	—	—	—	30	—	30
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	172	19	18	209	49	258
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	60	1,073	1,173	60	2,366	49	2,415

For the year ended 31 December 2023

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	2,097	200	43	2,340	2,789	5,129
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	120	—	—	—	120	—	120
Ms. Li Min 李旻	120	—	—	—	120	—	120
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	607	10	45	662	584	1,246
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	240	2,704	210	88	3,242	3,373	6,615

For the year ended 31 December 2024

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Mr. Li Xiguang 李錫光	—	2,103	555	47	2,705	389	3,094
Non-executive directors							
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. He Zhengsheng 賀正生	120	—	—	—	120	—	120
Ms. Li Min 李旻	120	—	—	—	120	—	120
Mr. Vincent Chin 錢榮澤	10	—	—	—	10	—	10
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	548	15	47	610	856	1,466
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	250	2,651	570	94	3,565	1,245	4,810

For the five months ended 31 May 2024 (unaudited)

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	876	—	19	895	—	895
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	50	—	—	—	50	—	50
Ms. Li Min 李旻	50	—	—	—	50	—	50
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	243	—	19	262	243	505
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	100	1,119	—	38	1,257	243	1,500

For the five months ended 31 May 2025

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Mr. Li Xiguang 李錫光	—	878	—	22	900	590	1,490
Non-executive directors							
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. He Zhengsheng 賀正生	50	—	—	—	50	—	50
Ms. Li Min 李旻	50	—	—	—	50	—	50
Mr. Vincent Chin 錢榮澤	50	—	—	—	50	—	50
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	221	—	22	243	434	677
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	150	1,099	—	44	1,293	1,024	2,317

Notes:

(a) Mr. Li Xiguang (李錫光) acted as a director since 2009 and was re-designated as an executive director in November 2024.

(b) Mr. Au Yeung Chung (歐陽忠) acted as a supervisor since 2009 and was appointed as a director in October 2022 and re-designated as a non-executive director in November 2024.

(c) Mr. Jiang Dacai (姜達才) was appointed as a director in October 2022 and re-designated as a non-executive director in November 2024.

(d) Mr. He Zhengsheng (賀正生) was appointed as an independent director in October 2022 and re-designated as an independent non-executive director in November 2024.

(e) Ms. Li Min (李旻) was appointed as an independent director in October 2022 and re-designated as an independent non-executive director in November 2024.

(f) Ms. Yin Xuefang (尹雪芳) was appointed as a supervisor in October 2022.

(g) Mr. Zhuang Shuguang (莊樹廣) joined the Group as a director in June 2021, and was re-appointed as a supervisor in October 2022.

(h) Mr. Yuan Yi (袁毅) joined the Group as a director in June 2021, and was re-appointed as a supervisor in October 2022.

(i) Mr. Vincent Chin (錢榮澤) was appointed as an independent non-executive director in November 2024.

(j) These represent the estimated value of the restricted shares (Note 28) granted to the directors and supervisors of the Company under the Company's share award scheme. The value of these restricted shares is measured according to the Group's accounting policy for share-based payment transactions as set out in Note 2(p)(ii). The details of the share award scheme are disclosed in Note 28.

(k) During the Track Record Period, no director or supervisor has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 FIVE HIGHEST PAID INDIVIDUALS

The number of directors, supervisors and other employees included in the five highest paid individuals for the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2024 and 2025 are set forth below:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Directors and supervisors	1	1	1	1	1
Other employees	4	4	4	4	4
	5	5	5	5	5

The emoluments of the directors and supervisors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid non-director/supervisor individuals, are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	2,656	5,423	3,946	1,669	1,424
Discretionary bonuses	1,764	260	720	—	—
Share-based payments	2,871	2,883	6,920	2,086	3,948
Retirement scheme contributions	168	129	188	76	88
	7,459	8,695	11,774	3,831	5,460

The emoluments of the remaining highest paid non-director/supervisor individuals are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
HK$Nil to HK$1,000,000	—	—	—	2	—
HK$1,000,001 to HK$1,500,000	1	—	—	1	3
HK$1,500,001 to HK$2,000,000	1	1	—	1	1
HK$2,000,001 to HK$2,500,000	1	1	—	—	—
HK$2,500,001 to HK$3,000,000	—	2	2	—	—
HK$3,000,001 to HK$3,500,000	1	—	1	—	—
HK$4,500,001 to HK$5,000,000	—	—	1	—	—

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share during the Track Record Period is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted-average number of ordinary shares in issue or deemed to be in issue for the respective years/periods.

As described in Note 29(c)(i), the Company converted into a joint stock company with limited liability and issued 108,974,000 shares with the par value of RMB1 each in November 2022. For the purpose of computing basic and diluted earnings/(loss) 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 2022, at the conversion ratio established in the conversion in November 2022.

In addition, the Company issued 250,000,000 shares (approximately 2.21 shares for each share in issue) by converting RMB250,000,000 from capital reserve to share capital in December 2022. Accordingly, the weighted average number of shares has also been adjusted retrospectively from 1 January 2022 for such capitalisation issue.

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit/(loss) for the year/period attributable to all equity shareholders of the Company	6,951	101,436	(492,455)	(111,927)	12,504
Allocation of loss for the year/period attributable to ordinary shares with redemption right issued to investors *(Note 24)*	(41)	—	—	—	—
Profit/(loss) of the year/period attributable to ordinary equity shareholders of the Company	6,910	101,436	(492,455)	(111,927)	12,504

(ii) Weighted-average number of ordinary shares

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
				RMB'000	*RMB'000*
				(unaudited)	
Ordinary shares (deemed to be) in issue at 1 January	97,704	363,198	363,198	363,198	363,198
Effect of ordinary shares in issue or deemed to be in issue	6,227	—	—	—	—
Effect of ordinary shares with redemption right issued to investors *(Note 24)*	(620)	—	—	—	—
Effect of capitalisation issue *(Note 29(c)(iii))*	228,164	—	—	—	—
Weighted average number of ordinary shares (deemed to be) in issue at 31 December/31 May	331,475	363,198	363,198	363,198	363,198

(b) Diluted earnings/(loss) per share

For the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2024 and 2025, the Company did not have any dilutive potential ordinary shares outstanding. Accordingly, diluted earnings/(loss) per share were equal to basic earnings/(loss) per share.

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

The Group:

	Machinery and equipment	Office equipment and others	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2022	251,087	4,289	683	17,282	51,788	325,129
Additions	708	876	1,078	—	249,428	252,090
Disposals	(10,716)	(191)	—	—	—	(10,907)
Transfers within property, plant and equipment	118,519	—	—	2,761	(121,280)	—
At 31 December 2022 and 1 January 2023	359,598	4,974	1,761	20,043	179,936	566,312
Additions	2,873	520	—	—	1,052,428	1,055,821
Disposals	(11)	(1)	—	—	—	(12)
Transfers within property, plant and equipment	812,641	1,066	—	50,121	(863,828)	—
At 31 December 2023 and 1 January 2024	1,175,101	6,559	1,761	70,164	368,536	1,622,121
Additions	1,320	200	—	126	1,067,942	1,069,588
Disposals	(3,175)	(155)	—	(1,221)	—	(4,551)
Transfers within property, plant and equipment	154,259	6,800	—	3,830	(164,889)	—
At 31 December 2024 and 1 January 2025	1,327,505	13,404	1,761	72,899	1,271,589	2,687,158
Additions	280	15	—	—	214,781	215,076
Disposals	—	(10)	—	—	—	(10)
Transfers within property, plant and equipment	3,997	53	—	4,442	(8,492)	—
At 31 May 2025	1,331,782	13,462	1,761	77,341	1,477,878	2,902,224

	Machinery and equipment *RMB'000*	Office equipment and others *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2022	(117,670)	(2,381)	(444)	(8,852)	—	(129,347)
Charge for the year *(Note 6(c))*	(27,374)	(670)	(115)	(3,272)	—	(31,431)
Written back on disposals	9,619	143	—	—	—	9,762
At 31 December 2022 and 1 January 2023	(135,425)	(2,908)	(559)	(12,124)	—	(151,016)
Charge for the year *(Note 6(c))*	(70,956)	(789)	(255)	(8,018)	—	(80,018)
Written back on disposals	8	1	—	—	—	9
At 31 December 2023 and 1 January 2024	(206,373)	(3,696)	(814)	(20,142)	—	(231,025)
Charge for the year *(Note 6(c))*	(107,309)	(1,826)	(250)	(11,035)	—	(120,420)
Written back on disposals	2,787	147	—	91	—	3,025
At 31 December 2024 and 1 January 2025	(310,895)	(5,375)	(1,064)	(31,086)	—	(348,420)
Charge for the period *(Note 6(c))*	(52,433)	(809)	(105)	(5,070)	—	(58,417)
Written back on disposals	—	10	—	—	—	10
At 31 May 2025	(363,328)	(6,174)	(1,169)	(36,156)	—	(406,827)
Net book value:						
At 31 December 2022	224,173	2,066	1,202	7,919	179,936	415,296
At 31 December 2023	968,728	2,863	947	50,022	368,536	1,391,096
At 31 December 2024	1,016,610	8,029	697	41,813	1,271,589	2,338,738
At 31 May 2025	968,454	7,288	592	41,185	1,477,878	2,495,397

As at 31 December 2022, 2023 and 2024 and 31 May 2025, certain property, plant and equipment of the Group with net book value amounting to Nil, RMB564,952,000, RMB802,155,000 and RMB772,604,000 were secured for bank loans and other borrowings granted to the Group.

The Company:

	Machinery and equipment	Office equipment and others	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2022	234,399	2,468	272	12,383	48,138	297,660
Additions	657	579	1,077	—	232,967	235,280
Disposals	(10,716)	(189)	—	—	—	(10,905)
Transfers within property, plant and equipment	112,098	—	—	1,036	(113,134)	—
At 31 December 2022 and 1 January 2023	336,438	2,858	1,349	13,419	167,971	522,035
Additions	2,855	428	—	—	1,032,161	1,035,444
Disposals	(10)	—	—	—	—	(10)
Transfers within property, plant and equipment	782,656	1,066	—	47,874	(831,596)	—
At 31 December 2023 and 1 January 2024	1,121,939	4,352	1,349	61,293	368,536	1,557,469
Additions	1,319	200	—	—	1,061,673	1,063,192
Disposals	(3,175)	(153)	—	(1,221)	—	(4,549)
Transfers within property, plant and equipment	148,914	6,787	—	3,830	(159,531)	—
At 31 December 2024 and 1 January 2025	1,268,997	11,186	1,349	63,902	1,270,678	2,616,112
Additions	279	15	—	—	205,739	206,033
Disposals	—	(9)	—	—	—	(9)
Transfers within property, plant and equipment	2,163	48	—	3,249	(5,460)	—
At 31 May 2025	1,271,439	11,240	1,349	67,151	1,470,957	2,822,136

	Machinery and equipment	Office equipment and others	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At 1 January 2022	(116,071)	(1,692)	(65)	(5,627)	—	(123,455)
Charge for the year	(25,511)	(301)	(102)	(2,255)	—	(28,169)
Written back on disposals	9,619	140	—	—	—	9,759
At 31 December 2022 and 1 January 2023	(131,963)	(1,853)	(167)	(7,882)	—	(141,865)
Charge for the year	(66,641)	(372)	(255)	(6,559)	—	(73,827)
Written back on disposals	8	—	—	—	—	8
At 31 December 2023 and 1 January 2024	(198,596)	(2,225)	(422)	(14,441)	—	(215,684)
Charge for the year	(101,904)	(1,409)	(250)	(10,228)	—	(113,791)
Written back on disposals	2,787	147	—	91	—	3,025
At 31 December 2024 and 1 January 2025	(297,713)	(3,487)	(672)	(24,578)	—	(326,450)
Charge for the period	(50,088)	(757)	(105)	(4,625)	—	(55,575)
Written back on disposals	—	10	—	—	—	10
At 31 May 2025	(347,801)	(4,234)	(777)	(29,203)	—	(382,015)
Net book value:						
At 31 December 2022	204,475	1,005	1,182	5,537	167,971	380,170
At 31 December 2023	923,343	2,127	927	46,852	368,536	1,341,785
At 31 December 2024	971,284	7,699	677	39,324	1,270,678	2,289,662
At 31 May 2025	923,638	7,006	572	37,948	1,470,957	2,440,121

12 RIGHT-OF-USE ASSETS

Reconciliation of carrying amount

The Group:

	Leasehold land	Leased property	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2022	—	16,830	16,830
Additions	78,153	6,202	84,355
Disposals	—	(99)	(99)
At 31 December 2022 and 1 January 2023	78,153	22,933	101,086
Additions	72,258	45,643	117,901
At 31 December 2023 and 1 January 2024	150,411	68,576	218,987
Additions	—	4,577	4,577
Disposals	—	(7,901)	(7,901)
At 31 December 2024, 1 January 2025 and 31 May 2025	150,411	65,252	215,663
Accumulated depreciation:			
At 1 January 2022	—	(1,663)	(1,663)
Charge for the year *(Note 6(c))*	(131)	(2,771)	(2,902)
Written back on disposals	—	78	78
At 31 December 2022 and 1 January 2023	(131)	(4,356)	(4,487)
Charge for the year *(Note 6(c))*	(2,767)	(6,356)	(9,123)
At 31 December 2023 and 1 January 2024	(2,898)	(10,712)	(13,610)
Charge for the year *(Note 6(c))*	(3,008)	(7,387)	(10,395)
Written back on disposals	—	4,192	4,192
At 31 December 2024 and 1 January 2025	(5,906)	(13,907)	(19,813)
Charge for the period *(Note 6(c))*	(1,253)	(2,945)	(4,198)
At 31 May 2025	(7,159)	(16,852)	(24,011)
Net book value:			
At 31 December 2022	78,022	18,577	96,599
At 31 December 2023	147,513	57,864	205,377
At 31 December 2024	144,505	51,345	195,850
At 31 May 2025	143,252	48,400	191,652

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Chinese Mainland, with remaining lease term of between 10 and 50 years	78,022	147,513	144,505	143,252
Other properties leased for own use, carried at depreciated cost	18,577	57,864	51,345	48,400
	96,599	205,377	195,850	191,652

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at 31 December			As at 31 May	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:					
Ownership interests in leasehold land and buildings	131	2,767	3,008	1,253	1,253
Other properties leased for own use	2,771	6,356	7,387	3,272	2,945
	2,902	9,123	10,395	4,525	4,198
Interest on lease liabilities *(Note 6(a))*	790	2,287	2,739	1,180	1,052
Expense relating to short-term leases	1,584	4,868	4,101	1,675	1,276

Details of total cash outflow for leases is set out in Note 18(d) and the maturity analysis of lease liabilities is set out in Note 23.

The Group has obtained the right to use certain leasehold land in Chinese Mainland. Lump sum payments were made upfront to acquire these land use right interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

As at 31 December 2022, 2023 and 2024 and 31 May 2025, certain leasehold land of the Group with net book value amounting to Nil, Nil, RMB144,505,000 and RMB143,252,000 were secured for bank loans granted to the Group.

The Company:

	Leasehold land	Leased property	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2022	—	11,994	11,994
Additions	78,153	3,363	81,516
Disposals	—	(99)	(99)
At 31 December 2022 and 1 January 2023	78,153	15,258	93,411
Additions	72,258	45,643	117,901
At 31 December 2023 and 1 January 2024	150,411	60,901	211,312
Disposals	—	(226)	(226)
At 31 December 2024, 1 January 2025 and 31 May 2025	150,411	60,675	211,086
Accumulated depreciation:			
At 1 January 2022	—	(1,341)	(1,341)
Charge for the year	(131)	(1,463)	(1,594)
Written back on disposals	—	78	78
At 31 December 2022 and 1 January 2023	(131)	(2,726)	(2,857)
Charge for the year	(2,767)	(4,708)	(7,475)
At 31 December 2023 and 1 January 2024	(2,898)	(7,434)	(10,332)
Charge for the year	(3,008)	(6,165)	(9,173)
Written back on disposals	—	226	226
At 31 December 2024 and 1 January 2025	(5,906)	(13,373)	(19,279)
Charge for the period	(1,253)	(2,564)	(3,817)
At 31 May 2025	(7,159)	(15,937)	(23,096)
Net book value:			
At 31 December 2022	78,022	12,532	90,554
At 31 December 2023	147,513	53,467	200,980
At 31 December 2024	144,505	47,302	191,807
At 31 May 2025	143,252	44,738	187,990

13 INTANGIBLE ASSETS

The Group:

	Software
	RMB'000
Cost:	
At 1 January 2022, 31 December 2022 and 1 January 2023	715
Additions	229
At 31 December 2023 and 1 January 2024	944
Additions	3,598
At 31 December 2024 and 1 January 2025	4,542
Additions	84
At 31 May 2025	4,626
Accumulated amortisation:	
At 1 January 2022	(318)
Charge for the year *(Note 6(c))*	(143)
At 31 December 2022 and 1 January 2023	(461)
Charge for the year *(Note 6(c))*	(171)
At 31 December 2023 and 1 January 2024	(632)
Charge for the year *(Note 6(c))*	(458)
At 31 December 2024 and 1 January 2025	(1,090)
Charge for the period *(Note 6(c))*	(359)
At 31 May 2025	(1,449)
Net book value:	
At 31 December 2022	254
At 31 December 2023	312
At 31 December 2024	3,452
At 31 May 2025	3,177

The amortisation charges during the Track Record Period are included in "administrative and other operating expenses" in the consolidated statements of profit or loss and other comprehensive income.

The Company:

	Software
	RMB'000
Cost:	
At 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023 and 1 January 2024	423
Additions	3,597
At 31 December 2024 and 1 January 2025	4,020
Additions	84
At 31 May 2025	4,104
Accumulated amortisation:	
At 1 January 2022	(250)
Charge for the year	(85)
At 31 December 2022 and 1 January 2023	(335)
Charge for the year	(66)
At 31 December 2023 and 1 January 2024	(401)
Charge for the year	(354)
At 31 December 2024 and 1 January 2025	(755)
Charge for the period	(315)
At 31 May 2025	(1,070)
Net book value:	
At 31 December 2022	88
At 31 December 2023	22
At 31 December 2024	3,265
At 31 May 2025	3,034

14 SUBSIDIARIES

(a) Particulars of principal subsidiary

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiary:

Company name	Place and date of establishment	Particulars of issued and paid-up capital	Effective interest held by the Group					Principal activities and place of operation
			As at 31 December			31 May	At the date of this report	
			2022	2023	2024	2025		
Directly held by the Company								
Dongguan South Semiconductor Technology Co., Ltd. 東莞南方半導體科技有限公司 *(note)*	The PRC/ 23 November 2016	RMB 92,000,000	59.29%	59.29%	59.29%	59.29%	59.29%	Inspection and sale of devices in Dongguan, Guangdong Province, the PRC

Notes:

(a) The official name of this entity is in Chinese. The English translation is for identification purposes only. The entity is a limited liability company established in the PRC. The financial statements of this entity for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC (the PRC GAAP) and audited by RSM China Certified Public Accountants LLP Shenzhen Branch (容誠會計師事務所(特殊普通合夥)深圳分所).

(b) A subsidiary, Guangdong Zhuhai Runfu Technology Co., Ltd. was established in Zhuhai, the PRC, on 30 December 2024, with paid-in capital of RMB22,000,000. The company has not commenced business as at 31 May 2025.

(b) Material non-controlling interest (the "NCI")

The following table lists out the information relating to Dongguan South Semiconductor Technology Co., Ltd., the only subsidiary of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Year ended 31 December			Five months ended 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	40.71%	40.71%	40.71%	40.71%
Current assets	34,624	23,980	18,452	27,318
Non-current assets	48,308	56,105	54,550	60,880
Current liabilities	29,312	33,469	45,049	68,613
Non-current liabilities	17,585	15,992	16,480	15,456
Net assets	36,035	30,624	11,473	4,129
Carrying amount of NCI	9,806	12,467	4,670	1,681
Revenue	25,195	8,722	6,628	(4,364)
Loss and total comprehensive income	(10,161)	(13,626)	(19,151)	(7,344)
Loss allocated to NCI	(4,137)	(5,554)	(7,797)	(2,989)
Cash flows from operating activities	18,659	9,803	4,239	(1,425)
Cash flows from investing activities	(21,244)	(16,241)	(6,106)	(2,019)
Cash flows from financing activities	4,444	7,351	(2,199)	(824)

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group:

		As at 31 December			As at 31 May
	Note	**2022**	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current					
Prepayments for purchase of property, plant and equipment					
— third parties		219,065	347,154	194,855	85,560
— related parties	32(d)	—	15,285	11,445	11,445
Others		225	19,763	27,010	27,579
		219,290	382,202	233,310	124,584
Current					
Prepayments for materials and expenses		215,400	51,451	28,864	56,090
Other deposits and receivables		863	2,056	6,404	1,798
Value added tax recoverable		26,861	39,301	84,038	18,821
		243,124	92,808	119,306	76,709
Less: loss allowance		(195)	(333)	(333)	(365)
		242,929	92,475	118,973	76,344
		462,219	474,677	352,283	200,928

The Company:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments for purchase of property, plant and equipment				
— third parties	213,319	346,212	194,809	63,955
— related parties	—	15,285	11,445	11,445
Others	—	19,598	26,811	27,380
	213,319	381,095	233,065	102,780
Current				
Prepayments for materials and expenses	215,227	51,294	28,858	53,648
Other deposits and receivables	18,882	25,830	42,541	47,509
Value added tax recoverable	23,443	39,284	83,756	17,474
	257,552	116,408	155,155	118,631
Less: loss allowance	(136)	(207)	(280)	(313)
	257,416	116,201	154,875	118,318
	470,735	497,296	387,940	221,098

All of the prepayments, deposits and other receivables (including amounts due from related parties) are expected to be recovered or recognised as expense within one year, except for non-current prepayments which mainly represent deposits paid to suppliers for the purchases of property, plant and equipment.

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprises:

The Group:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	38,868	267,932	129,988	24,322
Semi-finished products and work in progress	24,694	42,377	23,922	48,441
Finished goods	26,325	84,239	29,489	26,187
	89,887	394,548	183,399	98,950

The Company:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	30,163	265,459	129,217	23,793
Semi-finished products and work in progress	24,694	42,377	23,922	48,441
Finished goods	14,472	72,609	21,247	18,254
	69,329	380,445	174,386	90,488

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group:

	As at 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories sold	333,371	931,836	577,537	271,561	230,275
Reversal of inventory write-down from returns *(note)*	—	—	—	—	(34,159)
Write down of inventories	14,711	21,301	315,122	52,320	3,175
	348,082	953,137	892,659	323,881	199,291

Note: The reversal of write-down of inventories during the five months ended 31 May 2025 arose from the return of certain inventories to a supplier due to quality issues. The purchase cost of such returned inventories was RMB52,278,000, which was written down by RMB34,159,000 as at 31 December 2024. Both the cost of inventories and related write-down were derecognised upon returning to a supplier.

17 TRADE AND BILLS RECEIVABLES

The Group:

	Note	As at 31 December 2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*	As at 31 May 2025 *RMB'000*
Trade receivables					
— third parties		184,228	306,557	156,777	339,407
— related parties	32(d)	—	—	1,954	4,174
		184,228	306,557	158,731	343,581
Bills receivables					
— third parties		12,254	55,343	45,232	37,552
— related parties	32(d)	—	—	—	1,182
		12,254	55,343	45,232	38,734
Less: loss allowance		(2,049)	(11,477)	(56,425)	(42,312)
		194,433	350,423	147,538	340,003

The Company:

	As at 31 December 2022 *RMB'000*	2023 *RMB'000*	2024 *RMB'000*	As at 31 May 2025 *RMB'000*
Trade receivables				
— third parties	178,010	301,611	150,330	331,436
— related parties	4	—	—	—
	178,014	301,611	150,330	331,436
Bills receivables — third parties	12,254	53,910	44,439	37,528
Less: loss allowance	(1,986)	(10,475)	(55,587)	(40,969)
	188,282	345,046	139,182	327,995

The Group and the Company derecognised the bills receivables issued by the major banks or the banks with qualified rating when the bill receivables are transferred to others through endorsement to suppliers or discounting to other banks. As at 31 December 2022, 2023 and 2024 and 31 May 2025, bills receivables of Nil, RMB2,750,000, RMB8,261,000 and RMB790,000 were transferred but not derecognised.

Aging analysis

As of the end of each reporting period, the aging analysis of trade and bill receivables, based on the revenue recognition date and net of loss allowance, is as follows:

The Group:

	As at 31 December			As of 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	161,239	299,443	119,429	275,100
91–180 days	29,666	42,940	16,209	43,020
181–270 days	3,449	175	6,780	13,413
271–365 days	79	267	2,008	5,704
Over 1 year	—	7,598	3,112	2,766
	194,433	350,423	147,538	340,003

The Company:

	As at 31 December			As of 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	157,546	294,586	114,693	267,633
91–180 days	27,255	42,676	15,906	41,378
181–270 days	3,404	—	6,684	13,311
271–365 days	77	186	1,899	5,673
Over 1 year	—	7,598	—	—
	188,282	345,046	139,182	327,995

Trade receivables are due within 15 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 30(a).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	467,785	209,646	152,399	122,680
Less: Restricted cash				
— Deposits pledged for issuing bank acceptance	—	—	(2,438)	—
— Deposits pledged for letters of credit	(3,308)	(21,039)	(2,116)	(5)
— Deposits pledged for letters of guarantee	—	—	(33,268)	(27,326)
	(3,308)	(21,039)	(37,822)	(27,331)
Cash and cash equivalents in the consolidated statements of financial position and the consolidated cash flow statements	464,477	188,607	114,577	95,349

The Company:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	463,897	204,844	151,664	119,361
Less: Restricted cash				
— Deposits pledged for issuing bank acceptance	—	—	(2,438)	—
— Deposits pledged for letters of credit	(3,308)	(21,039)	(2,116)	(5)
— Deposits pledged for letters of guarantee	—	—	(33,268)	(27,326)
	(3,308)	(21,039)	(37,822)	(27,331)
Cash and cash equivalents in the statements of financial position of the Company	460,589	183,805	113,842	92,030

(b) Reconciliation of profit/(loss) before taxation to cash (used in)/generated from operations:

		Years ended 31 December			Five months ended 31 May	
	Note	**2022**	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation		3,746	111,009	(589,188)	(136,912)	11,590
Adjustments for:						
Depreciation	6(c)	34,333	89,141	130,815	55,862	62,615
Amortisation of intangible assets	6(c)	143	171	458	120	359
Provision/(reversal of provision) for impairment losses on financial assets	6(c)	910	9,566	45,040	42,787	(14,081)
Interest income	5	(1,413)	(3,379)	(1,081)	(383)	(98)
Finance costs	6(a)	7,516	19,876	34,551	12,057	19,870
Write-down of/(reversal of write down) of inventories	16(b)	14,711	21,301	315,122	52,320	(30,984)
Loss/(gain) on disposals of property, plant and equipment	5	1,145	3	(85)	8	—
Equity settled share-based payment expenses	6(b)	7,911	17,231	23,166	6,818	10,874
Changes in working capital:						
(Increase)/decrease in inventories		(10,438)	(325,962)	(103,973)	(96,899)	115,433
(Increase)/decrease in trade and bills receivables		(117,691)	(165,418)	157,845	46,401	(178,352)
(Increase)/decrease in prepayments, deposits and other receivables		(213,229)	152,211	(22,261)	128,349	45,856
(Decrease)/increase in trade and bills payables		(14,343)	157,670	(53,181)	(26,844)	(29,102)
Increase/(decrease) in other payables and accruals		48,098	6,658	(2,420)	26,514	1,109
Increase/(decrease) in deferred income		1,258	(2,633)	5,195	2,163	44,045
(Decrease)/increase in contract liabilities		(24,843)	(51)	(2,269)	(2,486)	1,958
Cash (used in)/generated from operations		(262,186)	87,394	(62,266)	109,875	61,092

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans and other borrowings *RMB'000* *(Note 22)*	Loans from related parties *RMB'000* *(Note 20)*	Lease liabilities *RMB'000* *(Note 23)*	Total *RMB'000*
Balance at 1 January 2022	162,208	17,074	16,354	195,636
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	248,767	—	—	248,767
Repayment of bank loans and other borrowings	(413,444)	(17,074)	—	(430,518)
Capital element of lease rentals paid	—	—	(2,352)	(2,352)
Interest element of lease rentals paid	—	—	(790)	(790)
Interest paid	(3,770)	(487)	—	(4,257)
Total changes from financing cash flows	(168,447)	(17,561)	(3,142)	(189,150)
Other changes:				
Interests incurred during the year	6,239	487	790	7,516
Increase in lease liabilities	—	—	6,202	6,202
Total other changes	6,239	487	6,992	13,718
Balance at 31 December 2022	—	—	20,204	20,204

	Bank loans and other borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 23)*	Total *RMB'000*
Balance at 1 January 2023	—	20,204	20,204
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	1,153,606	—	1,153,606
Repayment of bank loans and other borrowings	(370,414)	—	(370,414)
Capital element of lease rentals paid	—	(5,372)	(5,372)
Interest element of lease rentals paid	—	(2,287)	(2,287)
Interest paid	(19,371)	—	(19,371)
Total changes from financing cash flows	763,821	(7,659)	756,162
Other changes:			
Interests incurred during the year	17,589	2,287	19,876
Capitalised borrowing costs	2,308	—	2,308
Increase in lease liabilities	—	47,313	47,313
Total other changes	19,897	49,600	69,497
Balance at 31 December 2023	783,718	62,145	845,863

	Bank loans and other borrowings RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
Balance at 1 January 2024	783,718	62,145	845,863
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	1,413,052	—	1,413,052
Repayment of bank loans and other borrowings	(487,867)	—	(487,867)
Capital element of lease rentals paid	—	(7,427)	(7,427)
Interest element of lease rentals paid	—	(2,739)	(2,739)
Interest paid	(56,677)	—	(56,677)
Total changes from financing cash flows	868,508	(10,166)	858,342
Other changes:			
Interests incurred during the year	31,812	2,739	34,551
Capitalised borrowing costs	10,141	—	10,141
Increase in lease liabilities	—	4,577	4,577
Decrease in lease liabilities due to disposal of leased assets	—	(4,190)	(4,190)
Total other changes	41,953	3,126	45,079
Balance at 31 December 2024	1,694,179	55,105	1,749,284

	Bank loans and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	
Balance at 1 January 2025	1,694,179	55,105	1,749,284
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	495,563	—	495,563
Repayment of bank loans and other borrowings	(332,413)	—	(332,413)
Capital element of lease rentals paid	—	(2,611)	(2,611)
Interest element of lease rentals paid	—	(1,052)	(1,052)
Interest paid	(30,951)	—	(30,951)
Total changes from financing cash flows	132,199	(3,663)	128,536
Other changes:			
Interests incurred during the period	18,818	1,052	19,870
Capitalised borrowing costs	7,693	—	7,693
Total other changes	26,511	1,052	27,563
Balance at 31 May 2025	1,852,889	52,494	1,905,383

	Bank loans and other borrowings RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
(Unaudited)			
Balance at 1 January 2024	783,718	62,145	845,863
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	297,200	—	297,200
Repayment of bank loans and other borrowings	(175,424)	—	(175,424)
Capital element of lease rentals paid	—	(3,330)	(3,330)
Interest element of lease rentals paid	—	(1,180)	(1,180)
Interest paid	(20,693)	—	(20,693)
Total changes from financing cash flows	101,083	(4,510)	96,573
Other changes:			
Interests incurred during the period	10,877	1,180	12,057
Capitalised borrowing costs	3,279	—	3,279
Total other changes	14,156	1,180	15,336
Balance at 31 May 2024	898,957	58,815	957,772

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprises the following:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within operating cash flows	1,584	4,868	4,101	1,675	1,276
Within financing cash flows	3,142	7,659	10,166	4,510	3,663
	4,726	12,527	14,267	6,185	4,939

(e) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2024 and 2025, the Group endorsed bills receivables of Nil, RMB2,750,000, RMB8,261,000, RMB19,500,000 (unaudited) and RMB790,000 for settlement of purchase of inventories and property, plant and equipment. Such transactions were considered as non-cash transactions.

19 TRADE AND BILLS PAYABLES

The Group:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	53,023	210,964	134,244	129,614
Bills payables	—	—	24,506	—
	53,023	210,964	158,750	129,614

The Company:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	50,136	209,869	131,883	123,772
Bills payables	—	—	24,506	—
	50,136	209,869	156,389	123,772

All trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of each of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

The Group:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	35,015	208,796	154,457	126,102
1 year to 2 years	589	1,655	2,234	1,397
Over 2 years	17,419	513	2,059	2,115
	53,023	210,964	158,750	129,614

20 OTHER PAYABLES AND ACCRUALS

The Group:

	Note	As at 31 December			As at 31 May
		2022	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, wages, bonus and benefits payable		18,154	17,516	10,900	12,302
Other tax payable		688	700	624	256
Other payables and accruals		63,183	240,002	296,515	179,147
Amounts due to related parties (ii)	32(d)	—	6,042	15,690	15,722
		82,025	264,260	323,729	207,427

The Company:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, wages, bonus and benefits payable	17,340	16,966	10,309	11,794
Other tax payable	553	667	582	236
Other payables and accruals	58,418	235,356	292,599	167,482
Amounts due to related parties (ii)	—	6,042	15,690	15,722
	76,311	259,031	319,180	195,234

Notes:

(i) All other payables and accruals (excluding loans from related parties) are expected to be settled within one year or are repayable on demand.

(ii) Amounts due to related parties are unsecured, interest-free and repayable on demand.

21 CONTRACT LIABILITIES

Contract liabilities represent receipts in advance from customers before the delivery of the goods recognised. Movement of contract liabilities are as follows:

The Group:

	Year ended 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	29,040	4,197	4,146	1,877
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(26,571)	(2,937)	(2,842)	(256)
Increase in contract liabilities as a result of billing in advance of sales activities	1,728	2,886	573	2,214
Balance at the end of the year/period	4,197	4,146	1,877	3,835

The amounts of contract liabilities expected to be recognised as income after more than one year are RMB2,469,000, RMB1,260,000, RMB1,630,000 and RMB1,578,000 as at 31 December 2022, 2023 and 2024 and 31 May 2025. All of the other contract liabilities are expected to be recognised as income within one year.

The Company:

	Year ended 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	24,565	4,124	4,010	1,728
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(22,096)	(2,864)	(2,795)	(239)
Increase in contract liabilities as a result of billing in advance of sales activities	1,655	2,750	513	29
Balance at the end of the year/period	4,124	4,010	1,728	1,518

22 BANK LOANS AND OTHER BORROWINGS

The maturity profile for the interest-bearing bank loans and other borrowings of the Group and the Company at the end of each reporting period is as follows:

The Group and the Company:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Short-term bank loans and other borrowings	—	134,171	350,827	209,007
Current portion of long-term bank loans and other borrowings	—	164,789	283,732	299,284
	—	298,960	634,559	508,291
Non-current				
Long-term bank loans and other borrowings	—	484,758	1,059,620	1,344,598
	—	783,718	1,694,179	1,852,889

(a) The analysis of the repayment schedule of bank loans is as follows:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	—	180,592	431,320	282,473
After 1 year but within 2 years	—	—	72,715	116,214
After 2 years but within 5 years	—	232,108	239,667	363,387
After 5 years	—	21,543	514,267	664,626
	—	253,651	826,649	1,144,227
	—	434,243	1,257,969	1,426,700

(b) The analysis of the repayment schedule of other borrowings is as follows:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	—	118,368	203,239	225,818
After 1 year but within 2 years	—	188,051	168,005	120,863
After 2 years but within 5 years	—	43,056	64,966	79,508
	—	231,107	232,971	200,371
	—	349,475	436,210	426,189

In July 2023, the Group signed sale and leaseback agreements with SPDB Financial Leasing Co., Ltd. ("**SPDB**") to sell and lease back certain machinery and equipment amounting to RMB200,000,000 to SPDB. The rent will be paid by instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate plus 30 basis points.

In May 2023, the Group signed sale and leaseback agreements with CCB Financial Leasing Co., Ltd. ("**CCB**") to sell and lease back certain machinery and equipment amounting to RMB120,000,000 to CCB. The rent will be paid by instalments within the next four years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate minus 15 basis points.

In July 2023, August 2023, March 2024, April 2024, May 2024 and July 2024, the Group signed sale and leaseback agreements with Agricultural Bank of China Financial Leasing Co., Ltd. ("**ABC**") to sell and lease back certain machinery and equipment amounting to RMB30,000,000, RMB35,000,000, RMB35,000,000, RMB38,000,000, RMB22,000,000 and RMB40,000,000 to ABC respectively. The rents will be paid by instalments within the next three years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate minus 20 basis points.

In September 2024, October 2024 and January 2025, the Group signed sale and leaseback agreements with Industrial Bank Financial Leasing Co., Ltd. ("**Industrial Bank Financial Leasing Corporation**") to sell and lease back certain machinery and equipment amounting to RMB50,000,000, RMB50,000,000 and RMB90,000,000 to Industrial Bank Financial Leasing Corporation respectively. The rent will be paid by instalments within the next four years. It is considered as a mortgage loan in substance with an annual effective interest rate of LPR rate minus 25 basis points.

(c) Assets pledged as security and covenants for bank loans and other borrowings

At the end of each reporting period, the bank loans and other borrowings were secured and guaranteed as follows:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Unsecured and unguaranteed	—	—	210,988	306,756
— Unsecured and guaranteed	—	340,093	314,488	242,322
— Secured and guaranteed	—	94,623	732,493	877,622
	—	434,716	1,257,969	1,426,700
Other borrowings				
— Secured and unguaranteed	—	243,341	240,670	280,740
— Secured and guaranteed	—	105,661	195,540	145,449
	—	349,002	436,210	426,189
	—	783,718	1,694,179	1,852,889

As at 31 December 2022, 2023 and 2024 and 31 May 2025, certain bank loans and other borrowings granted to the Group were guaranteed by related parties. The details have been disclosed in Note 32(e). The directors of the Company confirm that all of the guarantees by related parties will either be replaced by a corporate guarantee of the Company or be fully released prior to or upon the listing of the Company in the Main Board of the Stock Exchange.

The Group's bank loans and other borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(Note 11)*	—	564,952	802,155	772,604
Leasehold land *(Note 12)*	—	—	144,505	143,252
	—	564,952	946,660	915,856

Further details of the Group's management of liquidity risk are set out in Note 30(b). As at 31 December 2022, 2023 and 2024 and 31 May 2025, the directors of the Company confirmed that none of the covenants relating to drawn down facilities had been breached.

23 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were repayable as follows:

The Group:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	4,014	8,103	6,351	6,476
After 1 year but within 2 years	3,237	7,348	6,624	6,879
After 2 years but within 5 years	8,143	19,648	21,817	21,728
After 5 years	4,810	27,046	20,313	17,411
	16,190	54,042	48,754	46,018
	20,204	62,145	55,105	52,494

The Company:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,029	5,322	5,560	5,672
After 1 year but within 2 years	1,573	5,560	5,833	5,950
After 2 years but within 5 years	5,077	18,370	19,270	19,658
After 5 years	4,810	27,046	20,313	17,410
	11,460	50,976	45,416	43,018
	13,489	56,298	50,976	48,690

24 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

Pursuant to the agreements between the Company, its certain shareholders and the investors, the investors would have the right but not the obligation to request the Company and/or the controlling shareholder of the Company to purchase all or part of the shares of the Company held by them, upon the occurrence of any of the redemption events, including but not limited to: (i) a material breach on the agreement by the Company or the controlling shareholders, of any of their representations, warranties or undertakings under the agreement; (ii) a change in control of the Company ("**a Change-in-Control Event**"), or the controlling shareholders depart from the Company within 5 years from the investment without reasonable reason; (iii) the main business of the Company changes significantly without written agreement of investors (the "**Redemption Right**").

The redemption price of the shares shall equal to the higher of (i) the consideration paid by the investors plus an annual rate of return of 8% for the period from the payment date of the consideration up to the redemption date less all distributed dividends; or (ii) the fair market price of the original issue shares at the date of the redemption.

As the occurrence of the redemption events such as a Change-in-Control Event is beyond the control of the Company, the Company recognised a financial liability for its obligation to redeem its own equity instrument, i.e. the paid-in capitals issued to investors. As described in Note 2(m), the financial instruments issued to investors is measured at the present value of the redemption amount. The subsequent changes in the carrying amount of the financial instruments issued to investors was recorded in profit or loss as "changes in the carrying amount of financial instruments issued to investors".

The movement of the financial instruments issued to investors are set out below:

The Group and the Company:

	Year ended 31 December 2022
	RMB'000
At the beginning of the year	224,934
Reclassification of financial instruments issued to investors to equity	(224,934)
At the end of the year	—

On January 31, 2022 and August 31, 2022, the Company entered into supplementary investment agreements with investors, pursuant to which the investors agreed to waive the obligation of the Company from the Redemption Right on 31 January 2022 and August 31 2022, respectively. Upon the Company's redemption obligation termination on 31 January 2022 and 31 August 2022, respectively, entire carrying amount of the financial instruments issued to investors recognised was classified to equity.

25 DEFERRED INCOME

Deferred income represented unamortised conditional government grants for compensating the Group and Company for the cost of assets and will be recognised in profit or loss over the useful lives of these assets.

26 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the statements of financial position of the Company and the movements during the year/period are as follows:

	Inventory provision	Credit loss allowance	Deferred income	Unused tax losses	Unrealised intra-group profit	Lease liabilities	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022	4,326	161	1,801	26,689	(100)	1,634	(1,598)	32,913
Credited/(charged) to profit or loss *(Note 7(a))*	1,162	157	(184)	(2,105)	8	312	(282)	(932)
Balance at 31 December 2022 and 1 January 2023	5,488	318	1,617	24,584	(92)	1,946	(1,880)	31,981
Credited/(charged) to profit or loss *(Note 7(a))*	226	1,424	(405)	(16,635)	2	6,401	(6,140)	(15,127)
Balance at 31 December 2023 and 1 January 2024	5,714	1,742	1,212	7,949	(90)	8,347	(8,020)	16,854
Credited/(charged) to profit or loss *(Note 7(a))*	45,176	6,638	747	36,263	(14)	(799)	925	88,936
Balance at 31 December 2024 and 1 January 2025	50,890	8,380	1,959	44,212	(104)	7,548	(7,095)	105,790
(Charged)/credited to profit or loss *(Note 7(a))*	(26,499)	(2,188)	6,709	19,861	—	(343)	385	(2,075)
Balance at 31 May 2025	24,391	6,192	8,668	64,073	(104)	7,205	(6,710)	103,715

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	32,074	16,944	105,894	103,819
Net deferred tax liabilities recognised in the consolidated statements of financial position	(93)	(90)	(104)	(104)
	31,981	16,854	105,790	103,715

(b) Deferred tax assets not recognised

As of 31 December 2022, 2023 and 2024 and 31 May 2025, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB30,978,000, RMB53,203,000, RMB75,940,000, RMB74,915,000 and temporary difference of RMB23,835,000, RMB42,519,000, RMB68,352,000 and RMB87,272,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses will be expired within 10 years.

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group mainly participates in the social insurance schemes for its employees in Chinese Mainland.

The employees of the Company and its subsidiaries in Chinese Mainland are members of the state-managed retirement benefits schemes operated by the PRC government. They are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution of the board of directors of the Group approved in January 2022, a share award scheme (the "2022 Share Award Scheme") was adopted for purpose of providing incentives to the selected employees of the Group.

Under the 2022 Share Award Scheme, 66 employees of the Group were granted with a total of 7,299,360 restricted shares (after consideration of capitalisation issue as disclosed Note 29(c)(iii)) of the Group in January 2022 (the "First Batch") through 2 employees' share incentive platforms.

In November 2022 (the "Second Batch"), 43 employees were granted with the total of 1,724,574 restricted shares (after consideration of capitalisation issue as disclosed Note 29(c)(iii)) through 3 employees' share incentive platforms.

In November 2023 (the "Third Batch"), additional 48,127 restricted shares were granted to certain employees.

In September 2024 (the "Fourth Batch"), additional 107,485 restricted shares were granted to certain employees.

(a) The terms and conditions of the grants are as follows:

Once the vesting conditions underlying the respective restricted shares are met, the restricted shares are considered duly and validly issued to the holder, with restrictions on transfer of such entitlements at any time during a period subject to the listing rule commencing on the date on which the shares of the Company are publicly issued (the "Lock-up Period").

Where the conditions for unlocking as required by the scheme are fulfilled within the unlocking period, the restricted shares shall be unlocked in four tranches, on the condition that employees remain in service (the "Service Period"). If the employees leave the Group before the end of the Service Period or does not meet the following assessment criteria the awarded shares will be forfeited. The terms are as follows: (1) sign the performance appraisal letter according to the requirements of the general manager; (2) has worked in the Company or subsidiary companies for more than 3 years; (3) others in accordance with relevant laws and regulations.

25% restricted shares would vest on the first anniversary after the Lock-up Period, and the remaining of the shares shall be vested on straight-line basis at the anniversary years over a period of the remaining three years.

(b) Movements in the number of restricted shares granted to employees are as follows:

	Numbers of restricted shares *(Note)*
Outstanding as at 1 January 2022	—
Granted during the year	9,023,934
Outstanding as at 31 December 2022 and 1 January 2023	9,023,934
Granted during the year	481,277
Forfeited during the year	(737,957)
Outstanding as at 31 December 2023 and 1 January 2024	8,767,254
Granted during the year	107,485
Forfeited during the year	(283,954)
Outstanding as at 31 December 2024 and 1 January 2025	8,590,785
Forfeited during the period	(490,000)
Outstanding as at 31 May 2025	**8,100,785**

Note: In December 2022, the Company issued 250,000,000 shares (approximately 2.21 shares for each share in issue) by converting RMB250,000,000 from capital reserve to share capital. Accordingly, the number of restricted shares has been adjusted after consideration of capitalisation issue as disclosed in Note 29(c)(iii).

The weighted-average subscription price per restricted share is ranged of RMB4.42–RMB5.61. No restricted share was vested as at 31 December 2022, 2023 and 2024 and 31 May 2025.

Fair value of restricted shares granted to the selected employees of the First Batch are measured using the guideline transaction method by the directors of the Company.

The directors have used the income approach to determine the fair value of the restricted shares of the Second Batch, the Third Batch and the Fourth Batch. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

(c) Fair value of restricted shares and assumptions

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. Key valuation assumptions used to determine the fair value of the restricted shares are as follows.

	First Batch
Fair value at measurement date (after consideration of capitalisation issue as disclosed in Note 29(c)(iii)) *(RMB)*	9.65%
Expected volatility	61.31%–70.07%
Expected dividend yield	0%
Risk-free interest rate	2.22%–2.38%

The expected volatility is referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. No dividends are expected based on the historical record.

	Second Batch	**Third Batch**	**Fourth Batch**
Fair value at measurement date (after consideration of capitalisation issue as disclosed in Note 29(c)(iii)) *(RMB)*	36.32	33.32	30.31
Weighted average cost of capital ("WACC")	12.29%	10.69%	10.33%
Market premium	6.0%	5.5%	5.5%
Risk-free interest rate	3.5%	3.5%	3.5%

Changes in the subjective input assumption could materially affect the fair value estimate.

(d) Equity settled share-based transactions expenses recognised in the consolidated statements of profit or loss and other comprehensive income during the Track Record Period:

Share-based payment expense of RMB7,911,000, RMB17,231,000, RMB23,166,000, RMB6,818,000 (unaudited) and RMB10,874,000 are recognised as staff costs (Note 6(b)) in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2024 and 2025 respectively.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year/period during the Track Record Period are set out below:

	Paid-in capital	Share capital	Capital reserve	PRC statutory reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	97,704	—	268,984	—	(70,000)	(347,368)	(50,680)
Changes in equity for 2022:							
Profit and total comprehensive income for the year	—	—	—	—	—	13,018	13,018
Reclassification of financial instruments issued to investors as equity *(Note 24)*	—	—	—	—	224,934	—	224,934
Deemed contribution from shareholders	—	—	4,715	—	—	—	4,715
Capital injection from investors before conversion into a joint stock company *(Note 29(b))*	11,270	—	891,730	—	—	—	903,000
Conversion into a joint stock company *(Note 29(c))*	(108,974)	108,974	(181,326)	—	—	181,326	—
Equity settled share-based transactions *(Note 28)*	—	—	7,911	—	—	—	7,911
Conversion of capital reserve into share capital *(Note 29(c)(iii))*	—	250,000	(250,000)	—	—	—	—
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	241	—	(241)	—
Capital injection from investors after conversion into a joint stock company *(Note 29(c))*	—	4,224	486,776	—	—	—	491,000

	Paid-in capital *RMB'000*	Share capital *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 31 December 2022 and 1 January 2023	—	363,198	1,228,790	241	154,934	(153,265)	1,593,898
Changes in equity for 2023:							
Profit and total comprehensive income for the year	—	—	—	—	—	108,840	108,840
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	10,884	—	(10,884)	—
Equity-settled share-based transactions *(Note 28)*	—	—	17,231	—	—	—	17,231
At 31 December 2023 and 1 January 2024	—	363,198	1,246,021	11,125	154,934	(55,309)	1,719,969
Changes in equity for 2024:							
Loss and total comprehensive income for the year	—	—	—	—	—	(481,231)	(481,231)
Equity settled share-based transactions *(Note 28)*	—	—	23,166	—	—	—	23,166
At 31 December 2024 and 1 January 2025	—	363,198	1,269,187	11,125	154,934	(536,540)	1,261,904
Profit and total comprehensive income for the period	—	—	—	—	—	16,849	16,849
Equity settled share-based transactions *(Note 28)*	—	—	10,874	—	—	—	10,874
At 31 May 2025	—	363,198	1,280,061	11,125	154,934	(519,691)	1,289,627
(Unaudited) **At 1 January 2024**	—	363,198	1,246,021	11,125	154,934	(55,309)	1,719,969
Changes in equity for the five months ended 31 May 2024:							
Loss and total comprehensive income for the period	—	—	—	—	—	(117,849)	(117,849)
Equity settled share-based transactions *(note 28)*	—	—	6,818	—	—	—	6,818
At 31 May 2024	—	363,198	1,252,839	11,125	154,934	(173,158)	1,608,938

(b) Paid-in capital

The paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

	Paid-in capital
	RMB'000
At 1 January 2022	97,704
Capital contribution from investors *(note)*	11,270
Conversion into a joint stock limited liability company *(Note 29(c)(i))*	(108,974)
At 31 December 2022, 2023 and 2024 and 31 May 2025	—

Note: In January, March and August 2022, the Company entered into investment agreements with several investors, pursuant to which, the investors agreed to make a total investment of RMB903,000,000 in the Company as consideration of subscription for the Company's paid-in capital of RMB11,270,000.

(c) Share capital

	Number of shares	*RMB'000*
Ordinary shares, issued and fully paid:		
At 1 January 2022	—	—
Issuance of new shares upon conversion into a joint stock limited liability company (i)	108,974	108,974
Capital contribution from investors (ii)	4,224	4,224
Conversion of capital reserve into share capital (iii)	250,000	250,000
At 31 December 2022, 2023 and 2024 and 31 May 2025	363,198	363,198

Notes:

(i) On 8 November 2022, the Company was converted into a joint stock company with limited liability under the PRC Company Law. The net assets of the Company as of the conversion base date were converted into 108,974,000 ordinary shares with par value of RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's capital reserve.

(ii) In December 2022, the Company entered into investment agreements with several investors, pursuant to which, the investors subscribed for 4,224,000 ordinary shares of the Company at a consideration of RMB491,000,000. The excess of the consideration of RMB491,000,000, over the increase in the share capital of RMB4,224,000, amounting to RMB486,776,000 was credited to capital reserve.

(iii) In December 2022, the share capital of the Company was increased to RMB250,000,000 by way of conversion of capital reserve into share capital.

(iv) Special rights granted by Mr. Li Xiguang, Dongguan Dinghong Investment Consulting Center, Dongguan Runsheng Investment Consulting Center and Dongguan Wanghe Investment Consulting Center ("**Certain Controlling Shareholders**"): In connection with the pre-IPO investments, certain investors who participated in pre-IPO investments ("**Pre-IPO investors**") had been granted certain special rights (as defined in the HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE section on page 151 to this prospectus) against the Certain Controlling Shareholders including, among others, share redemption rights.

The directors of the Company have confirmed that (i) the Company does not have any obligation to fulfil the abovementioned special rights granted by the Certain Controlling Shareholders, including the share redemption rights; and (ii) the Company has not provided any guarantee for the abovementioned special rights granted by the Certain Controlling Shareholders in the event of a default by the Certain Controlling Shareholders. Accordingly, no financial liability has been recorded in the Historical Financial Information with respect to these special rights granted to the Pre-IPO investors by the Certain Controlling Shareholders.

(d) Dividends

No dividends have been declared by the Company during the Track Record Period.

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises (i) the portion of the grant date fair value of restricted shares granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments and (ii) the excess of the contributions from the shareholders of the Company over the total paid-in capital or ordinary shares issued.

(ii) PRC statutory reserve

According to the PRC laws, the PRC subsidiaries of the Group and the Company are required to set up two statutory reserve funds which are general reserve fund and staff general fund. General reserve fund was set up by appropriating at least 10% of the entity's annual profit after taxation, as determined under PRC regulations, until the balance of the fund equals to 50% of the entity's registered capital. This fund can be used to make up previous years' losses or to convert into paid-in capital. Transfer from retained earnings to staff general fund is made at the discretion of the board of directors of the entities.

PRC statutory reserve in the Group's consolidated statements of changes in equity represented the amount allocated for the Company and relevant subsidiaries.

(iii) Other reserve

Other reserve mainly represents the recognition of financial instruments issued to investors.

As disclosed in Note 24, the financial instruments issued to investors did not meet the definition of equity for the Company. Therefore, the Company identified the financial instruments as liabilities and reclassified from other reserve to current liabilities. On 31 January 2022, the corresponding liabilities were reclassified from current liabilities to equity since the investors agreed to waive the obligation of the Company from the redemption right.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted cash and bills receivable are limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

Trade receivables and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

As of 31 December 2022, 2023 and 2024 and 31 May 2025, 26%, 35%, 10% and 14% of the total trade receivables was due from the Group's largest customer in each year/period during the Track Record Period respectively, and 54%, 82%, 22% and 59% of the total trade receivables was due from the Group's five largest customers in each year/period during the Track Record Period respectively.

In respect of trade receivables, individual credit evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 15 to 180 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2023, 2024 and 31 May 2025, the loss allowance of trade receivables is determined as below:

	As at 31 December 2023			
	Expected loss rates	Gross carrying amount	Loss allowance	Net balance
	%	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables for which the loss allowance is measured on an individual basis	50%	15,195	(7,597)	7,598
Trade receivables for which the loss allowance is measured using a provision matrix		291,362	(2,947)	288,415
		306,557	(10,544)	296,013

	As at 31 December 2024			
	Expected loss rates	Gross carrying amount	Loss allowance	Net balance
	%	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables for which the loss allowance is measured on an individual basis	76%	72,661	(55,149)	17,512
Trade receivables for which the loss allowance is measured using a provision matrix		86,070	(1,276)	84,794
		158,731	(56,425)	102,306

	As at 31 May 2025			
	Expected loss rates	Gross carrying amount	Loss allowance	Net balance
	%	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables for which the loss allowance is measured on an individual basis	39%	96,129	(37,320)	58,809
Trade receivables for which the loss allowance is measured using a provision matrix		247,452	(4,989)	242,463
		343,581	(42,309)	301,272

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables which are assessed collectively as at the end of the reporting periods:

	As at 31 December 2022		
	Expected loss rates	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
0–90 days	0.40%	151,995	612
91–180 days	2.06%	27,841	573
181–270 days	7.33%	3,722	273
271–365 days	20.20%	99	20
Over 1 year	100.00%	571	571
		184,228	2,049

	As at 31 December 2023		
	Expected loss rates	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
0–90 days	0.37%	245,935	902
91–180 days	3.96%	44,712	1,772
181–270 days	17.06%	211	36
271–365 days	44.14%	478	211
Over 1 year	100.00%	26	26
		291,362	2,947

	As at 31 December 2024		
	Expected loss rates	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
0–90 days	0.20%	69,808	138
91–180 days	1.19%	7,630	91
181–270 days	4.45%	6,833	304
271–365 days	22.35%	1,360	304
Over 1 year	100.00%	439	439
		86,070	1,276

	As at 31 May 2025		
	Expected loss rates	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
0–90 days	0.31%	205,903	629
91–180 days	1.67%	25,227	422
181–270 days	6.66%	7,272	484
271–365 days	20.93%	7,077	1,481
Over 1 year	100.00%	1,973	1,973
		247,452	4,989

These rates are adjusted to reflect differences between economic conditions during the 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.

Loss allowance made for bills receivables as of 31 December 2022, 2023 and 2024 and five months ended 31 May 2025 was Nil, RMB933,000, Nil and RMB3,000. These bills receivables are issued by customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the bill receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

Loss allowances of trade receivables

Movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2025 is as follows:

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	1,024	2,049	10,544	56,425
Transfer from bills receivable	—	—	933	—
Impairment loss/(reversal of impairment loss) during the year/period	1,025	8,495	45,040	(14,116)
Amounts written off	—	—	(92)	—
At the end of the year/period	2,049	10,544	56,425	42,309

Loss allowances of other receivables

Loss allowances in respect of other receivables are recorded using an allowance account unless the Group is satisfied that there is no reasonable expectation of further recoveries in which case the receivables are written off.

The movement in the loss allowances in respect of other receivables during the years ended 31 December 2022, 2023 and 2024 and five months ended 31 May 2025 is as follows.

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	310	195	333	333
(Reversal of impairment loss)/impairment loss during the year/period	(115)	138	—	32
At the end of the year/period	195	333	333	365

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that is maintains sufficient reserves of cash and adequate committed funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of RMB217,666,000 of the Group as at 31 May 2025. The directors are of the opinion that the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

The following table details the remaining contractual maturities as at the end of the reporting periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates on, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay.

For borrowings subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter.

	As at 31 December 2022					
	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	53,023	—	—	—	53,023	53,023
Other payables and accruals	82,025	—	—	—	82,025	82,025
Lease liabilities	4,107	3,712	9,368	5,149	22,336	20,204
	139,155	3,712	9,368	5,149	157,384	155,252

	As at 31 December 2023					
	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	210,964	—	—	—	210,964	210,964
Other payables and accruals	264,260	—	—	—	264,260	264,260
Bank loans and other borrowings	321,687	217,834	288,698	23,668	851,887	783,718
Lease liabilities	9,746	9,749	24,880	29,674	74,049	62,145
	806,657	227,583	313,578	53,342	1,401,160	1,321,087

	As at 31 December 2024					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	158,750	—	—	—	158,750	158,750
Other payables and accruals	323,729	—	—	—	323,729	323,729
Bank loans and other borrowings	674,450	282,373	328,659	596,802	1,882,284	1,694,179
Lease liabilities	8,793	8,847	26,161	21,814	65,615	55,105
	1,165,722	291,220	354,820	618,616	2,430,378	2,231,763

	As at 31 May 2025					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	129,614	—	—	—	129,614	129,614
Other payables and accruals	207,427	—	—	—	207,427	207,427
Bank loans and other borrowings	642,339	311,408	371,331	714,576	2,039,654	1,852,889
Lease liabilities	8,793	8,886	25,734	18,882	62,295	52,494
	988,173	320,294	397,065	733,458	2,438,990	2,242,424

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from the Group's bank loans and other borrowings. Bank loans and other borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting periods.

	As at 31 December 2022		As at 31 December 2023		As at 31 December 2024		As at 31 May 2025	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Fixed rate instruments:								
Bank loans and other borrowings	—	—	2.85%–5.00%	347,694	2.52%–3.65%	269,362	2.52%–3.65%	253,120
Lease liabilities	4.75%–4.90%	20,204	4.75%–4.90%	62,145	3.95%–4.90%	55,105	3.95%–4.90%	52,494
		20,204		409,839		324,467		305,614
Variable rate instruments:								
Bank loans and other borrowings	—	—	3.45%–4.65%	436,024	2.70%–4.40%	1,424,817	2.70%–4.40%	1,599,769
		20,204		845,863		1,749,284		1,905,383

(ii) Sensitivity analysis

As at 31 December 2022, 2023 and 2024 and 31 May 2025, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would have increase/decrease the Group's profit/(loss) after taxation and accumulated losses by Nil, RMB4,360,000, RMB14,248,000 and RMB15,998,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) after taxation that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments the Group held at the end of the reporting periods, the impact on the Group's profit/(loss) after taxation is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis during the Track Record Period.

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables, and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("**USD**"), Euro ("**EUR**") and Japanese Yen ("**JPY**").

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

The Group's exposures to foreign currencies are as follows:

	As at 31 December									As at 31 May		
	2022			2023			2024			2025		
	USD	EUR	JPY	USD	EUR	JPY	USD	EUR	JPY	USD	EUR	JPY
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	231	—	—	67,187	—	—	1,436	—	—	4,288	—	—
Trade and bills receivables	8,885	—	—	107,544	10	—	1,818	—	—	88	—	—
Prepayments, deposits and other receivables	55,668	700	—	81,971	19,593	19,272	78,134	97	19,272	59,325	—	2,115
Trade and bills payables	(4,440)	—	(507)	(28,427)	(3,192)	(2,544)	(26,852)	(5,244)	(3,225)	(21,585)	(2,904)	(3,225)
	60,344	700	(507)	228,275	16,411	16,728	54,536	(5,147)	16,047	42,116	(2,904)	(1,110)

(ii) Sensitivity analysis

A 5% strengthening of RMB against the following currencies at the reporting date is estimated that a general decrease/increase the profit/(loss) after taxation (and accumulated losses) by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	Year ended 31 December			Five months ended 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	3,017	11,414	2,727	2,106
EUR	35	821	(257)	(145)
JPY	(25)	836	(55)	(68)

A 5% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022, 2023 and 2024 and 31 May 2025.

31 COMMITMENTS

Capital commitments outstanding at the end of the reporting periods not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	909,938	1,499,269	1,187,807	1,099,368
Authorised but not contracted for:				
— acquisition of property, plant and equipment	413,016	575,362	10,175	—
Total	1,322,954	2,074,631	1,197,982	1,099,368

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the Track Record Period, the directors are of the view that the following are related parties of the Group:

Name of related party	Relationship with the Group
Mr. Li Xiguang 李錫光	Executive directors
Mr. Au Yeung Chung 歐陽忠	Non-executive director
Mr. Zhuang Shuguang 莊樹廣	Supervisor
Mr. Yuan Yi 袁毅	Supervisor
Ms. Li Yongmei 李詠梅	Vice general manager
Ms. Tang Lijun 唐麗君	A close family member of Mr. Au Yeung Chung
Ms. Su Qin 蘇琴	A close family member of Mr. Li Xiguang
Ms. Zhang Rihuan 張日歡	A close family member of Mr. Zhuang Shuguang
Ms. Liang Ruinan 梁瑞南	A close family member of Mr. Yuan Yi
Mr. Jiang Dacai 姜達才	Non-executive director
Dongguan Jintian Real Estate Co., Ltd.* 東莞市金田置業有限公司	An entity controlled by Mr. Au Yeung Chung

Name of related party	Relationship with the Group
Dongguan Gaotian Real Estate Development Co., Ltd.* 東莞市高田房地產開發有限公司	An entity controlled by Mr. Au Yeung Chung
Dongguan Juyuan Microelectronics Co., Ltd.* (deregistered in June 2023) 東莞市巨源微電子有限公司	An entity controlled by Mr. Li Xiguang
Dongguan Baohong Technology Co., Ltd.* (deregistered in May 2023) 東莞市寶泓科技有限公司	An entity controlled by close relatives of Mr. Zhuang Shuguang
Dongguan Hongying Semiconductor Co., Ltd.* (deregistered in December 2022) 東莞宏盈半導體有限公司	An entity controlled by Ms. Li Yongmei
Dongguan Jintian Paper Co., Ltd.* 東莞市金田紙業有限公司	An entity controlled by Mr. Au Yeung Chung
Dongguan Yuebao Digital Disc Company Limited* 東莞市粵寶數碼光盤有限公司	An entity commonly owned by Mr. Li Xiguang and Mr. Au Yeung Chung
Dongguan Jiazhi Investment Service Center (Limited Partnership)* (deregistered in January 2023) 東莞市佳智投資服務中心(有限合夥)	An entity controlled by Mr. Li Xiguang
Guangdong Simiaotang Health Management Co., Ltd.* 廣東思邈堂健康管理有限公司	An entity controlled by Ms. Su Qin
Shenzhen Brilliant Technology Co., Ltd.* 深圳市卓瑞源科技有限公司	An entity which has significant influence by Mr. Au Yeung Chung
Shanghai Xianpu Gas Technology Co., Ltd.* 上海先普氣體技術有限公司	An entity which has significant influence by Mr. Jiang Dacai
Beijing Tesidi Semiconductor Equipment Co., Ltd.* 北京特思迪半導體設備有限公司	An entity which has significant influence by Mr. Jiang Dacai

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	3,413	7,545	6,847	2,889	2,856
Discretionary bonuses	2,833	484	1,290	—	—
Share-based payments	2,817	7,288	8,165	2,329	4,425
Retirement scheme contributions	201	245	282	114	132
	9,264	15,562	16,584	5,332	7,413

Total remuneration is included in "staff costs" (see Note 6(b)).

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions.

(c) Transactions with related parties

Transactions with related parties are carried out based on terms agreed with the counterparties in ordinary course of business. Apart from disclosures made in other parts of the Historical Financial Information, the Group entered into the following material related party transactions during the Track Record Period.

	Year ended 31 December			Five months ended 31 May	
	2022	**2023**	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sale of goods to related parties					
Shenzhen Brilliant Technology Co., Ltd.	—	—	208	—	101
Provision of service to related parties					
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	—	27	16	—
Dongguan Jintian Paper Co., Ltd.	594	—	—	—	—
Dongguan Juyuan Microelectronics Co., Ltd.	2	—	—	—	—
	596	—	27	16	—

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchases of goods from					
Dongguan Juyuan Microelectronics Co., Ltd.	9,083	—	—	—	—
Guangdong Simiaotang Health Management Co., Ltd.	—	49	—	—	2
Shanghai Xianpu Gas Technology Co., Ltd.	—	2,115	3,740	30	—
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	10,763	11,549	11,540	23
Dongguan Baohong Technology Co., Ltd.	8,928	—	—	—	—
	18,011	12,927	15,289	11,570	25
Rental income from					
Dongguan Juyuan Microelectronics Co., Ltd.	33	19	—	—	—
Lease expenses to					
Dongguan Yuebao Digital Disc Company Limited	1,910	4,820	7,860	3,275	3,275
Interest income from					
Mr. Li Xiguang	20	—	—	—	—
Interest expense to					
Dongguan Jintian Paper Co., Ltd.	285	—	—	—	—
Mr. Au Yeung Chung	123	—	—	—	—
Mr. Yuan Yi	26	—	—	—	—
Mr. Zhuang Shuguang	53	—	—	—	—
	487	—	—	—	—

(d) Balances with related parties

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Shenzhen Brilliant Technology Co., Ltd.	—	—	1,954	5,356
Prepayments, deposits and other receivables				
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	15,285	11,445	11,445
Other payables and accruals				
Amounts due to related parties				
Shanghai Xianpu Gas Technology Co., Ltd	—	1,968	4,565	4,577
Beijing Tesidi Semiconductor Equipment Co., Ltd	—	4,074	11,125	11,145
	—	6,042	15,690	15,722

Note: All balances with related parties are trade in nature.

(e) Guarantees provided by related parties

	As at 31 December			As at 31 May
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings granted to the Group with guarantees by related parties	915,739	3,240,164	6,210,000	6,490,000

Note: Certain facilities granted to the Group were guaranteed by certain directors, supervisors and related parties.

As at 31 December 2022, 2023 and 2024 and 31 May 2025, certain of the Group's bank loans and other borrowings were guaranteed by related parties. All such guarantees will be replaced by a corporate guarantee of the Company or released prior to or upon Listing.

33 CONTROLLING PARTIES

Mr. Li Xiguang and Mr. Au Yeung Chung are acting in concert with each other pursuant to the acting-in-concert agreement. Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd. (東莞市天域共創投資諮詢有限公司) ("Tianyu Gongchuang"), Dongguan Dinghong Investment Consulting Center (Limited Partnership) (東莞市鼎弘投資諮詢中心(有限合夥)) ("Dinghong Investment"), Dongguan Runsheng Investment Consulting Center (Limited Partnership) (東莞市潤生投資諮詢中心(有限合夥)) ("Runsheng Investment"), and Dongguan Wanghe Investment Consulting Center (Limited Partnership) (東莞市旺和投資諮詢中心(有限合夥)) ("Wanghe Investment") are entities controlled by Mr. Li. Tianyu Gongchuang is owned as to 99% by Mr. Li Xiguang and 1% by Ms. Su Qin. In light of the above, Mr. Li Xiguang, Mr. Au Yeung Chung, Ms. Su Qin, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be the Group's immediate and ultimate controlling parties.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7, *Contracts Referencing Nature-dependent Electricity*	1 January 2026
Amendments to IFRS 9 and IFRS 7: *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18 *Presentation and Disclosure in Financial Statements*	1 January 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information of the Group except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

35 SIGNIFICANT NON-ADJUSTING EVENTS AFTER THE TRACK RECORD PERIOD

There was no material non-adjusting event after the Track Record Period up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 May 2025.

The information set forth in this appendix does not form part of the Accountants' Report from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and our historical financial information included in the Accountants' Report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as at 31 May 2025 as if the Global Offering had taken place on 31 May 2025.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 May 2025 or any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 May 2025(1)	Estimated net proceeds from the Global Offering(2)(4)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company as at 31 May 2025	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$58.00 per Share	1,235,198	1,527,329	2,762,527	7.02	7.71

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 31 May 2025 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB1,238,317,000 as at 31 May 2025, which is extracted from the Accountants' Report set out in Appendix I to this Prospectus, deducting intangible assets of RMB3,177,000 and netting off the share of intangible assets attributable to non-controlling interests of RMB58,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$58.00 per Share, and the issuance of 30,070,500 Offer Shares, after deduction of the underwriting fees and other related listing expenses paid or payable (excluding listing expenses of RMB6,137,000 which has been expensed up to 31 May 2025) by the Company and do not take into account any shares which may be issued upon the exercise of the over-allotment option of the Company.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 393,268,511 Shares are expected to be in issue immediately following the Global Offering, but do not take into account any shares which may be issued upon the exercise of the over-allotment option of the Company.

(4) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share are converted from or into Hong Kong dollars (the "**HK$**") at an exchange rate of RMB0.9103 to HK$1. No representation is made that HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(5) The Group's certain property interests located in the PRC, including certain construction in progress and leasehold land, as at 31 August 2025 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the full text of the valuation report is set out in Appendix III. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the valuation of these property interests of the Group. Such surplus has not been recorded in the historical financial information as at 31 May 2025 set forth in the Accountants' Report in the Appendix I to this Prospectus and will not be recorded in the consolidated financial statements of the Group in future periods according to the Group's accounting policies. As the Group's construction in progress is not available for use, no depreciation charge is recognised according to the Group's accounting policies. As the Group's leasehold land is stated at cost less accumulated depreciation and impairment loss (if any), had the leasehold land as at 31 May 2025 been recorded at the amount valued by the independent property valuer, additional annual depreciation of approximately RMB158,000 would be charged against the profit in the future periods.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2025.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GUANGDONG TIANYU SEMICONDUCTOR CO., LTD. (FORMERLY KNOWN AS DONGGUAN TIANYU SEMICONDUCTOR TECHNOLOGY CO., LTD.)

We have completed our assurance engagement to report on the compilation of pro forma financial information of Guangdong Tianyu Semiconductor Co., Ltd. (formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd.) (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 May 2025 and related notes as set out in Part A of Appendix II to the prospectus dated 27 November 2025 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the H shares of the Company (the "**Global Offering**") on the Group's financial position as at 31 May 2025 as if the Global Offering had taken place at 31 May 2025. As part of this process, information about the Group's financial position as at 31 May 2025 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 2025 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong

27 November 2025

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2025 of the property interests held by the Group.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

27 November 2025

The Board of Directors
Guangdong Tianyu Semiconductor Co., Ltd.
No.5 Industrial North First Road
Songshan Lake Zone
Dongguan City
Guangdong Province
The PRC

Dear Sirs,

In accordance with your instructions to value the property interests held by **Guangdong Tianyu Semiconductor Co., Ltd.** (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**"), in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 August 2025 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest in Group I which is held for self-occupation by the Group in the PRC, due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. It has therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

For the land portion of property interest in Group I, we have adopted direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have valued the property interest in Group II which is held for future development by the Group in the PRC by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market.

For the purpose of our valuation, real estate development for future development is that the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates/Real Estate Title Certificates (for land) have been obtained.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, Real Estate Title Certificate, Construction Land Planning Permit, Construction Work Planning Permits, Construction Work Commencement Permits, Construction Work Completion and Inspection Tables and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — DeHeng Law Offices (Shenzhen), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out on 3 September 2024 by Mr. Jason Chen who is a China Certified Public Valuer and has more than 5 years' experience in the valuation of properties in the PRC.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note "Sustainability and ESG in commercial property valuation and strategic advice (3rd Edition)".

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realizable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 31 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property interest held for self-occupation by the Group in the PRC

Group II: Property interest held for future development by the Group in the PRC

"–" or N/A: Not applicable or not available

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	The total market value in existing state as at the valuation date *RMB* Total:
1.	Ecological Park production base located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road Songshan Lake Zone Dongguan City Guangdong Province The PRC	552,600,000	54,000,000	606,600,000
2.	A parcel of land located at the northern side of the intersection of Zongbu Third Road and Keji Eighth Road Songshan Lake Zone Dongguan City Guangdong Province The PRC[1]	—	72,000,000	72,000,000
	Total	**552,600,000**	**126,000,000**	**678,600,000**

Note:

(1) Such parcel of land is not related to the Ecological Park production base, and is reserved for future use.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Ecological Park production base located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road Songshan Lake Zone Dongguan City Guangdong Province The PRC	The property is located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road. It is about 15 minutes' driving distance to the Songshan Lake North Station. The locality is a well-developed industrial area with mature and sophisticated infrastructural facilities. The property comprises a parcel of land with a site area of approximately 63,197.68 sq.m., which is being developed into an industrial development. As at the valuation date, portions of the property were held for self-occupation by the Group which comprised an industrial building and four ancillary buildings with a total gross floor area of approximately 62,835.88 sq.m completed in July 2025. The construction of the remaining portion of the property had not been commenced as at the valuation date. The classification, usage and gross floor area details of the property are set out in note 7. The land use rights of the property have been granted for a term expiring on 1 December 2072 for industrial use.	As at the valuation date, portions of the property were held for self-occupation whilst the remaining portion of the property was bare land.	606,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Dong Zi Ran Chu Rang (Shi Chang) He (2022) Di No. 064 dated 25 November 2022, the land use rights of the property with a site area of approximately 63,197.68 sq.m. were contracted to be granted to Guangdong Tianyu Semiconductor Co., Ltd. (the "**Company**") and the land premium was RMB75,840,000. The plot ratio accountable gross floor area of the property is 189,593.04 sq.m. for industrial use.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 441900202300044, permission towards the planning of the property with a site area of approximately 63,197.68 sq.m. has been granted to the Company.

3. Pursuant to a Real Estate Title Certificate — Yue (2022) Dong Guan Bu Dong Chan Quan Di No.0261564, the land use rights of a parcel of the land of the property with a site area of approximately 63,197.68 sq.m. have been granted to the Company for a term of 50 years expiring on 1 December 2072 for industrial use.

4. Pursuant to 5 Construction Work Planning Permits — Jian Zi Di Nos. 2023–87–1014, 2023–87–1015, 2023–87–1016, 2023–87–1028 and 2023-87-1029 in favour of the Company, portions of the property with a total gross floor area of approximately 62,835.88 sq.m. have been approved for construction.

5. Pursuant to 5 Construction Work Commencement Permits — Nos. 441900202306140101, 441900202309150201, 441900202309150301, 4419002024010300101 and 441900202401250101 in favour of the Company, permissions by the relevant local authority were given to commence the construction of portions of the property with a total gross floor area of approximately 62,835.88 sq.m.

6. Pursuant to 5 Construction Work Completion and Inspection Tables in favor of the Company, the construction of portions of the property with a total gross floor area of approximately 62,835.88 sq.m. has been completed and passed the inspection acceptance.

7. According to the information provided by the Group, the planned gross floor area ("**GFA**") of the property is set out as below:

Group	**Usage**	**Planned Gross Floor Area** *(sq.m.)*
Group I — Property interest held for self-occupation by the Group in the PRC	Factory	55,927.96
	Ancillary	3,650.48
	Basement	3,257.44
	Sub-total:	**62,835.88**
Group II — Property interest held for future development by the Group in the PRC	Factory	76,356.89
	Dormitory	56,475.71
	Warehouse	1,624.93
	Basement	25,530.00
	Sub-total:	**159,987.53**
	Total:	**222,823.41**

8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB400 to RMB440 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and valuation date is considered.

9. We have been provided with the legal opinion containing the property interests by the Company's PRC legal advisors, which contains, *inter alia*, the following:

a. The Company is legally and validly in possession of the land use rights of the property and is the sole legal land user of the land use rights of the property. The Company has the rights to legally occupy, use, lease and dispose of the land parcel of the property; and

b. The Company has legally obtained the Construction Work Planning Permits and the Construction Work Commencement Permit in respect of the completed buildings of the property.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Portion
d.	Construction Work Planning Permit	Portion
e.	Construction Work Commencement Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	Portion
g.	Building Ownership Certificate/Real Estate Title Certificate (for building)	N/A

11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Property interest held for self-occupation by the Group	552,600,000
Group II — Property interest held for future development by the Group	54,000,000
Total:	**606,600,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	A parcel of land located at the northern side of the intersection of Zongbu Third Road and Keji Eighth Road Songshan Lake Zone Dongguan City Guangdong Province The PRC	The property is located at the northern side of the intersection of Zongbu Third Road and Keji Eighth Road. It is about 10 minutes' driving distance to the Songshan Lake North Station. The locality is a well-developed R&D zone with mature and sophisticated infrastructural facilities. The property comprises a parcel of land with a site area of approximately 13,218.99 sq.m., which will be developed into a R&D development with a total planned plot ratio accountable gross floor area of approximately 52,875.96 sq.m. As advised by the Group, the construction of the property had not been commenced as at the valuation date. The land use rights of the property have been granted for a term expiring on 25 February 2073 for scientific research use.	As at the valuation date, the property was bare land.	72,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Dong Zi Ran Chu Rang (Shi Chang) He (2023) Di No. 016 dated 7 February 2023, the land use rights of the property with a site area of approximately 13,218.99 sq.m. were contracted to be granted to the Company and the land premium was RMB70,120,000. The plot ratio accountable gross floor area of the property is 52,875.96 sq.m. for scientific research use.

2. Pursuant to a Real Estate Title Certificate — Yue (2023) Dong Guan Bu Dong Chan Quan Di No.0054160, the land use rights of the property with a site area of approximately 13,218.99 sq.m. have been granted to the Company for a term of 50 years expiring on 25 February 2073 for scientific research use.

3. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB1,300 to RMB1,400 per sq.m. for scientific research use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and valuation date is considered.

4. We have been provided with the legal opinion containing the property interests by the Company's PRC legal advisors, which contains, *inter alia*, the following:

   The Company is legally and validly in possession of the land use rights of the property and is the sole legal land user of the land use rights of the property. The Company has the rights to legally occupy, use, lease and dispose of the land parcel of the property.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	N/A
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A
g.	Building Ownership Certificate/Real Estate Title Certificate (for building)	N/A

6. For the purpose of this report, the property is classified into the group as "Group II — Property interest held for future development by the Group" according to the purpose for which it is held.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Share.

TAXATION IN THE PRC

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was latest amended on August 31, 2018 and came into effect on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was latest amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty.

Pursuant to the Circular of the MOF and the STA on Certain Issues Concerning the Policies of Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) promulgated by the MOF and the STA on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the MOF, the STA and the CSRC on September 7, 2015 and came into effect on September 8, 2015, where an individual holds more than one year of the shares of a listed company obtained from the public offering and transfer of the stock market of the listed company, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfer of the stock market by the listed company, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Double Tax Avoidance Arrangement, signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) states that such treaty benefits shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit. Exceptions are made when such benefits align with the Arrangement's relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》). Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a uniform enterprise income tax rate of 25% is imposed on all resident enterprises in China, including foreign-invested enterprises; a non-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-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 of the STA on Issues relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the SAT on 6 November 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-resident enterprise shareholders of H Shares in 2008 and any subsequent year. In addition, *the Response of the STA to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares* (《國家稅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稅問題的批復》), which was issued by the SAT on 24 July 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-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 Double Tax Avoidance Arrangement, which was signed on 21 August 2006, the Chinese Government 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 Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書), which came in to effect on 6 December 2019, adds a criteria 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 STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, 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 income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investor

According to the IIT Law and its implementation rules, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to *the Circular of the MOF and the STA on Continuing to Temporarily Exempt Individual Income Tax on Income from the Transfer of Shares by Individuals* (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT in March 1998, from 1 January 1997, income of individuals from transfer of the shares of listed enterprises shall continue to be exempted from individual income tax. On 31 December 2009, the MOF, the SAT and CSRC jointly issued *the Circular on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Company* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), this circular provides that any individual's income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in *the Supplementary Notice of the MOF, the STA and the CSRC on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Company* (《財政部、國家稅務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued by the abovementioned three departments on 10 November 2010).

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of our Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, 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. Such income tax payable for non-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. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to *the Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》) issued by the SCNPC on 10 June 2021 and implemented on 1 July 2022, the PRC stamp duty applies to entities and individuals that conclude taxable documents and conduct securities transactions within the PRC and the entities and individuals that conclude taxable documents outside the PRC which are used within the PRC. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies does not apply to the acquisition and disposal of H shares outside the PRC by non-PRC investors.

Estate Duty

The PRC currently does not impose any estate duty.

MAJOR TAXES ON OUR COMPANY IN THE PRC

ENTERPRISE INCOME TAX

According to the EIT Law, which was promulgated on 16 March 2007 and amended from time to time, together with its implementation provisions, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or incorporated pursuant to the foreign laws with their "de facto management bodies" located in the PRC, are deemed as "resident enterprise" and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and their income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with their establishments or places of business located in the PRC. Non-resident enterprises without establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

VAT

According to *the Provisional Regulations on the VAT of the PRC* (《中華人民共和國增值稅暫行條例》), which was promulgated on 13 December 1993 and latest amended on 19 November 2017, together with its implementation rules, entities and individuals engaged in selling goods or labor services of processing, repair or maintenance, selling services, intangible assets or immovables within the PRC or importing goods to the PRC are subject to the payment of the VAT. Pursuant to *the Notice of the MOF and the STA on Adjusting the VAT Rates* (《財政部、國家稅務總局關於調整增值稅稅率的通知》) effective on 1 May 2018, a taxpayer who is previously subject to 17% on value-added tax-taxable sales activities shall have the applicable tax rate adjusted to 16%. According to *the Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》), which came into effect on 1 April 2019, for value-added tax-taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% and 10% applies currently, it shall be adjusted to 13% and 9% respectively.

On December 25, 2024, the SCNPC promulgated the VAT Law of the PRC (《(中華人民共和國增值稅法》), which will come into effective on January 1, 2026, and replace *the Provisional Regulations on the VAT of the PRC*.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable, and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRC 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 on 29 January 1996 and amended from time to time, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the Circular 16, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to *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 promulgated on 23 October 2019, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law on the condition that the current Negative List are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

On 26 December 2014, the SAFE issued *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》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance, and transfer of funds for the business concerned.

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISION

This Appendix contains a summary of laws and regulations on companies and securities in the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see "Regulatory Overview".

PRC LEGAL SYSTEM

The PRC legal system is based on *the Constitution of the PRC* (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance. According to *the Constitution and the Legislation Law of the PRC* (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and the SCNPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration, organs endowed with administrative functions directly under the State Council and the organizations prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization development, grassroots governance, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to *the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and *the Law on the Organization of the People's Courts of the PRC* (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, and its latest version has come into effect on 1 January 2024. The Civil Procedure Law sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity. However, if the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest, or if other circumstances specified in Article 300 of the Civil Procedure Law occur, the people's court shall, upon examination, not to recognize or enforce such judgment or ruling.

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDANCE FOR ARTICLES OF ASSOCIATION

A joint stock company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (《中華人民共和國公司法》) which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively. The latest amendment was implemented on July 1, 2024.

- The Overseas Listing Trial Measures and its five guidelines which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, applicable to the overseas offering and listing of joint stock companies; and

- *The Guidelines for Articles of Association of Listed Companies* (《上市公司章程指引》) (the "**Guidance for Articles of Association**") which was latest amended and came into effect on December 15, 2023 by the CSRC. Our Company has formulated the Articles of Association based on the Guidance for Articles of Association. A summary of the Articles of Association is provided in the section titled "Appendix VI — Summary of Articles of Association" in this document. The CSRC promulgated the Guidelines for Articles of Association of Listed Companies (Draft for Solicitation of Comments) (《上市公司章程指引(徵求意见稿)》) on December 27, 2024. The consultation period will end on January 26, 2025. As of the Latest Practicable Date, it has not yet been finalized or come into effect.

Set out below is a summary of the major provisions of the PRC Company Law, Overseas Listing Trial Measures and Guidance for Articles of Association.

General

A joint stock company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock company shall conduct its business in accordance with laws and administrative regulations. It may invest in other enterprises.

Incorporation

A joint stock company may be incorporated by promotion or public subscription.

To incorporate a joint stock company by promotion, there must be more than one but not more than 200 promoters, with at least half residing within the PRC.

For a joint stock company incorporated by promotion, the timing and voting procedures for the inaugural meeting are determined by the company's articles of association or the promoters' agreement. For a joint stock company incorporated by public subscription, the promoters must convene the inaugural meeting within thirty days from the date when the full subscription payment for the shares is received. The promoters are required to notify all subscribers or make a public announcement of the meeting date at least fifteen days in advance. The inaugural meeting can only be held if more than half of the shareholders with voting rights are present. The meeting will discuss and adopt the company's articles of association and elect directors and supervisors. Any resolutions made at the inaugural meeting must be approved by a majority of the voting rights held by the shareholders present.

Within 30 days following the conclusion of the inaugural meeting, an authorized representative of the board of directors must apply for the registration of the joint stock company's incorporation with the company registration authority.

If a promoter fails to pay for the shares they have subscribed to, or if the actual value of non-monetary assets contributed as capital is significantly less than the value of the subscribed shares, the other promoters shall bear joint responsibility for the deficiency.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company shall issue registered share.

Under the Overseas Listing Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and make dividend distributions in foreign currency or RMB. Subject to specific circumstances, the Overseas Listing Trial Measures requires that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas.

Under the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

According to the PRC Company Law, a company must decide between issuing par value shares or no-par value shares as specified in its articles of association.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council.

A joint stock company must maintain a register of shareholders at the company, detailing the following: (i) the name and domicile of each shareholder; (ii) the types and numbers of shares held by each shareholder; (iii) the serial numbers of printed share certificates; and (iv) the date on which each shareholder acquired the shares.

The shareholders' register cannot be modified within 20 days prior to the shareholders' general meeting or within five days before the record date set by the company for dividend distribution.

Allotment and Issue of Shares

All issue of shares of a joint stock company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The offering price of par value shares can be equal to or greater than the nominal value, but it must not be less than the nominal value.

Increase of Share Capital

According to the PRC Company Law, when the joint stock company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance, the class and amount of new shares to be issued to existing shareholders, and the amount of funds raised from the issuance of new shares that is recorded as registered capital (in the case of issuing no-par value shares).

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the capital reduction within 10 days and publish an announcement of the reduction in the newspaper or the national enterprise credit information public disclosure system within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of corporate bonds issued by the company that can be converted into stock; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' interest.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' general meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total issued shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the PRC Company Law, shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Directors, supervisors, and senior management of a joint stock company are prohibited from transferring more than 25% of the total shares they hold in the company annually during their tenure (as determined at the time they assume their positions), and the shares they held in the company cannot neither be transferred within one year from the listing date of the shares nor within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

Under PRC law, our Unlisted Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or government authorized departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency other than Renminbi, may only be subscribed for, and traded by investors from Hong Kong, Macau or Taiwan Region of the People's Republic of China or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade Southbound Hong Kong trading Link and Northbound Shanghai trading Link (or the Northbound Shenzhen trading Link) shares via participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

When the application for "full circulation" has been approved by the CSRC, the domestic unlisted shares of the H share listed company might be listed and circulated on the Hong Kong Stock Exchange.

Shareholders

In accordance with and subject to the Company Law and the Guidance for Articles of Association, the rights of holders of ordinary shares of a joint stock company include:

- the right to require, convene, preside over, participate in or send proxies of shareholders to attend shareholders' general meeting and to exercise the corresponding voting rights according to the law;
- the right to transfer, donate or pledge their shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to supervise, make suggestions on or question the Company's operations;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports;
- any shareholder who has a different view on a resolution on the merger or division of the Company made by a shareholders' general meeting has the right to require the Company to buy back his/its shares;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of the company's residual properties in accordance with the types and proportions of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include adhering to the company's articles of association, paying the subscription monies for the shares subscribed in accordance with the prescribed form of capital contributions, being liable to the company to the extent of the shares subscribed, and fulfilling any other obligations specified in the company's articles of association.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to elect or replace the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the supervisory committee;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution, liquidation or change of company form and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association. The annual general meeting must be held once a year. According to the PRC Company Law, an extraordinary general meeting must be convened within two months following the occurrence of any of the following events:
- the number of directors is fewer than the number required by law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the supervisory committee so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time, venue and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Guidance for Articles of Association, after the notice of the general meeting of shareholders is issued, the general meeting of shareholders shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of general meeting of shareholders shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

Under the PRC Company Law, shareholders who individually or collectively hold 1% or more of the company's shares may submit interim proposals to the board of directors in writing at least ten days before the general meeting of shareholders. Interim proposals must include clear topics and specific resolutions. The board of directors shall notify other shareholders within two days of receiving the proposal and submit the interim proposal to the general meeting of shareholders for deliberation, unless the interim proposal violates laws, administrative regulations, the articles of association, or falls outside the authority of the general meeting of shareholders. The company shall not increase the shareholding percentage requirement for shareholders to submit interim proposals.

Under the PRC Company Law, shareholders attending the general meeting have one vote per share they hold, except for shares with different voting rights issued by the company. However, shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Guidance for Articles of Association, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) any purchase or sale of major assets or any provision of guarantee within one year in an amount in excess of 30% of the Company's latest audited total assets; (v) any equity incentive scheme; and (vi) any other matters specified by laws, administrative regulations or the Articles of Association and other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the PRC Company Law, a joint stock company shall have a board of directors comprising more than three members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to determine the establishment of internal management institutions within the company;
- to determine the appointment or dismissal of the company's general manager and their remuneration, and to determine the appointment or dismissal or remuneration of the company's deputy general manager, chief financial officer based on the general manager's recommendations;
- to formulate the company's basic management system; and
- to exercise any other powers under the articles of association or as granted by the shareholders' general meeting.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Extraordinary board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall beheld only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director is entitled to one vote on resolutions of the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution by the board of directors violates the laws, administrative regulations, the articles of association, or resolutions of the shareholders' general meetings, resulting in serious losses for the company, the directors involved in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of bribery, corruption, embezzlement, misappropriation of property, or destruction of the socialist market economy order; or who has been deprived of political rights due to crimes, in cases where less than five years have passed since completing the sentence; or who has been deprived of political rights due to crimes, in cases where less than two years have passed since completing the probation period;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue or is designated by the people's court as an untrustworthy debtor.

Supervisory Committee

A joint stock company may establish a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

A joint stock company may, in accordance with the provisions of its articles of association, establish an audit committee composed of directors within the board of directors to perform the supervisory committee functions stipulated by the Company Law, eliminating the need to set up a supervisory committee or appoint supervisors.

The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint one or more vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee of a company shall hold at least one meeting every six months.

Under the PRC Company Law, the supervisory committee mainly exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the dismissal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' general meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under the Company law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and

- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

According to the PRC Company Law and the Guidance for Articles of Association, a manager shall be appointed by the company, with their hiring or dismissal determined by the board of directors. The manager is accountable to the board and exercises authority in accordance with the articles of association or as authorized by the board. The manager should be present at board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and they have fiduciary duties to the company. Directors, supervisors and senior management are prohibited from:

- encroachment of company assets and embezzlement of company funds;
- depositing the company's funds into an account opened under their personal name or another individual's name;
- utilizing their official position to bribe or accept illegal income;
- claiming commissions from others' transactions with the company for personal gain;
- unauthorized disclosure of company secrets; or
- other actions that violate the duty of loyalty to the company.

A director, supervisor, or senior management member who violates any law, regulation, or the company's articles of association while performing their duties, causing any loss to the company, shall be liable for compensation.

Derivative Action by Minority Shareholders

The PRC Company Law grants shareholders of a joint stock company the right to act if directors or senior management violate laws, regulations, or the company's articles of association while performing their duties and cause damage to the company. Shareholders who individually or jointly hold more than 1% of the company's shares for over 180 consecutive days may submit a written request to the supervisory committee to initiate proceedings in the people's court. In the event that supervisors violate laws, regulations, or the company's articles of association while performing their duties and cause damage to the company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting. A joint stock company that publicly issues shares shall disclose its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into the legal accumulation fund (except where the fund has reached 50% of its registered capital).

If its legal accumulation fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the legal accumulation fund pursuant to the above provisions.

After allocation of the legal accumulation fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate the optional accumulation fund from after-tax profits.

The premium from issuing par value shares above their nominal value, or funds from issuing no-par value shares not included in the registered capital, along with other items specified by the Ministry of Finance under the State Council for inclusion in the capital accumulation fund, should be classified as the company's capital accumulation fund.

The company's accumulation fund is utilized to cover losses, expand business operations, or convert into registered capital. When using the capital accumulation fund to cover losses, the optional accumulation fund and the legal accumulation fund should be used first; if these are insufficient, the capital accumulation fund can be used according to regulations. When the legal accumulation fund is converted into the registered capital, the remaining legal accumulation fund must be no less than 25% of the previously registered capital.

The Company shall have no other accounting books except the statutory accounting books. Company funds should not be kept in accounts registered under any individual's name.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

The remaining after-tax profits after making up losses and allocation of the accumulation fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

If (i) or (ii) occurs and the company's residual assets have not yet been allocated to shareholders, it may continue its existence by amending its articles of association or through a resolution at the shareholders' general meeting. Such amendments or resolutions must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidating group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution. The directors of the company are liquidation obligors.

The company's liquidating group consists of directors unless the articles of association or a shareholders' general meeting resolution specifies otherwise. If a liquidating group is not formed within the stipulated time or is formed but does not conduct liquidation, interested parties may apply to the people's court to appoint relevant personnel to form a alternative liquidating group and proceed with liquidation. The people's court should accept the application and promptly organize a alternative liquidating group to carry out the liquidation.

The liquidating group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;

- to allocate the company's remaining assets after settling its debts; and
- to represent the company in civil lawsuits.

The liquidating group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or the national enterprise credit information public disclosure system within 60 days. A creditor shall lodge his claim with the liquidating group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidating group shall register such creditor rights. The liquidating group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidating group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidating group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a bankruptcy liquidation.

Once the people's court accepts the application, the liquidating group must hand over the liquidation affairs to the bankruptcy administrator appointed by the court.

After the liquidation process is completed, the liquidating group must prepare a liquidation report, submit it to the shareholders' general meeting or the court for confirmation, and then report to the company registration authority to apply for the cancellation of the company's registration.

Members of the liquidating group must fulfill their fiduciary duties. If they neglect their responsibilities, causing losses to the company, they are liable for compensation. Additionally, they are responsible for compensation if they intentionally or through gross negligence cause losses to creditors.

Overseas Listing

Subject to specific circumstances, the Overseas Listing Trial Measures and its guidelines require that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas; and (iv) if the overseas offering or listing has not been completed within one year upon the completion of the filing with CSRC, the filing documents shall be updated if such overseas offering or listing is going to further proceed.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

CSRC, a ministerial-level public institution directly under the State Council, performs a unified regulatory function, according to the relevant laws and regulations, and with the authority by the State Council, over the securities and futures market of China, maintains an orderly securities and futures market order, and ensure a legal operation of the capital market.

The Securities Law of the PRC (《中華人民共和國證券法》) took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Termination of Listing

The PRC Securities Law stipulates that the trading of shares of a company of a stock exchange may be terminated if so decided by the stock exchange.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

The Overseas Listing Trial Measures requires that, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities on an overseas market, the issuer shall submit a report to CSRC within three working days after the occurrence and public announcement of such event.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to *the Arrangements of the Supreme People's Court for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region* (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), effective on 29 January 2024, and promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court regarding civil and commercial cases, excluding certain types, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong 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. Additionally, Hong Kong 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 or any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong, considering the treaties providing for the reciprocal enforcement of judgments between China and the country where the judgment was made.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the SCNPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, shall apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to *the Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement titled the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between Chinese Mainland and Hong Kong (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) (the "**Arrangement**") was established between Chinese Mainland and Hong Kong. The Arrangement was promulgated in Chinese Mainland on January 24, 2000, as a judicial interpretation by the Supreme People's Court and took effect on February 1, 2000. On November 26, 2020, the Supreme People's Court promulgated the Supplemental Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between Chinese Mainland and Hong Kong (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the "**Supplemental Arrangement**"), which amended the Arrangement. The Supplemental Arrangement took effect on November 27, 2020. Under the Arrangement and the Supplemental Arrangement, subject to certain requirements being met, arbitral awards rendered by arbitration institutions in Chinese Mainland pursuant to the Arbitration Law can be enforced in Hong Kong, and arbitral awards made in Hong Kong can similarly be enforced in Chinese Mainland.

LOSS OF SHARE CERTIFICATES

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

DIVIDENDS

The company has the authority, in certain circumstances, to withhold and pay to the relevant tax authorities any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC law, the relevant limitation period is three years. The company must not exercise its power to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

SHARES

Issuance of Shares

Our Company's share certificates shall be in registered form.

Shares of our Company shall be issued in an open, fair and just manner. Shares of the same class shall rank *pari passu* with each other. For the same class of shares under the same issuance, each share shall be issued under the same conditions and at the same price. For the shares subscribed by any entity or individual, the price payable for each share shall be the same.

Increase, Reduction and Repurchase of Shares

Based on the needs of operation and development, our Company may increase capital by the following means in accordance with the provisions of laws and regulations after the resolution is passed by the shareholders' general meeting:

(I) public offering of shares;

(II) non-public offering of shares;

(III) distributing bonus shares to existing shareholders;

(IV) conversion of the accumulation fund into share capital;

(V) other methods approved by laws, administrative regulations, the Listing Rules and other methods approved by the securities regulatory authority of the State Council and other relevant regulatory bodies.

After our Company's capital increase to issue new shares is approved according to the provisions of the Articles of Association and the Listing Rules, it shall be handled according to the procedures specified in the relevant laws and administrative regulations of the PRC, the Articles of Association and the Listing Rules.

Without violating the laws, regulations, the Listing Rules, and the provisions of the Articles of Association, our Company may repurchase its own shares under the following circumstances, in accordance with the laws, administrative regulations, departmental rules, and the provisions of the Articles of Association:

(I) to decrease the registered capital of our Company;

(II) to merge with another company holding shares of our Company;

(III) to utilize shares for employee stock ownership plans or equity incentives.

(IV) shareholders who object to resolutions on our Company's merger or division passed at the shareholders' general meeting, demanding that our Company purchase their shares;

(V) to satisfy the conversion of the corporate bonds convertible into shares issued by our Company with shares;

(VI) to safeguard corporate value and the interests of the shareholders as necessary;

(VII) other circumstances permitted in laws, administrative regulations and the Listing Rules.

Where our Company acquires its shares for circumstances set out in items (I) and (II) above, it shall be subject to approval by the general meeting; where our Company acquires its shares for circumstances set out in items (III), (V) and (VI) above, it can be carried out in accordance with the provisions of the Articles of Association or authorization of the general meeting upon resolution by more than two-thirds of the directors present at a Board meeting.

If our Company acquires its own shares according to the above provisions and it falls under item (I), the shares must be canceled within 10 days from the acquisition date. If it falls under items (II) or (IV), the shares must be transferred or canceled within 6 months. In cases falling under items (III), (V), or (VI), our Company shall not hold more than 10% of the total issued shares and must transfer or cancel the shares within 3 years.

If the laws, administrative regulations, or relevant provisions of the securities regulatory authority where our Company's stock is listed have different stipulations regarding the aforementioned share repurchase, those provisions shall take precedence.

Our Company may reduce its registered capital. When doing so, it must adhere to the procedures outlined in the Company Law, the Listing Rules, and other relevant regulations, as well as the provisions of the Articles of Association.

Transfer of Shares

Unless otherwise stipulated by laws, administrative regulations, or the securities regulatory authority where our Company's stock is listed, shares of our Company with fully paid-up capital can be freely transferred and are not subject to any lien. Our Company shares may be gifted, inherited, and pledged in accordance with relevant laws, administrative regulations, and the provisions of the Articles of Association. The transfer of our Company shares must be registered with the local stock registration authority authorized by our Company. Our Company does not accept its own shares as collateral for pledges.

Shares issued before our Company's public issuance shall not be transferred within one year from the date our Company's shares are listed and traded on the stock exchange. Directors, supervisors, and senior management must declare their holdings of our Company's shares and any changes in such holdings. During their tenure, they may transfer no more than 25% of their total shares in our Company each year. Their shares may not be transferred within one year from the date our Company's stock is listed for trading. If they apply for resignation within six months of the initial public offering, they may not transfer their directly held company shares within eighteen months from the date of resignation. If they apply for resignation between the seventh and twelfth months from the initial public offering, they may not transfer their directly held company shares within twelve months from the date of resignation.

All transfers of H shares shall be effected by transfer instrument in writing in a general or common form or in any other form acceptable to the Board, including the standard transfer form or form of transfer specified by the Hong Kong Stock Exchange from time to time. The transfer instrument may be signed by hand or stamped with our Company's seal (where the transferor or transferee is a corporation) only. If the transferor or transferee is a recognized clearing house as defined by the relevant provisions that come into effect from time to time according to the laws of Hong Kong or its nominee, the transfer instrument may be signed by hand or in printed form. All the transfer instruments shall be kept at the legal address of our Company or an address designated by the Board from time to time.

Register of Members

Our Company maintains a register of shareholders based on the certificates provided by the securities registration institution. This register serves as conclusive evidence of a shareholder's ownership of our Company shares. A shareholder is a person who legally holds our Company shares and whose name is recorded in the register. Shareholders enjoy rights and assume obligations according to the types and amounts of shares they hold; those holding the same type of shares enjoy equal rights and assume the same obligations. The H-share register should be kept in Hong Kong for shareholders' access.

When our Company holds a shareholders' general meeting, distributes dividends, liquidates, or engages in other activities requiring shareholder identity confirmation, the Board or the convener of the shareholders' general meeting will set the date of record. Those registered as shareholders after the close of business on the date of record are entitled to the relevant rights and benefits.

SHAREHOLDERS AND GENERAL MEETINGS

Rights and Obligations of Shareholders

Ordinary shareholders of our Company are entitled to the following rights:

(I) to receive dividends and other benefit distributions according to their shareholding proportions;

(II) to legitimately request, convene, chair, attend, or appoint proxies to attend the shareholders' general meeting, speak at the meeting, and exercise voting rights (except where voting rights must be waived on specific matters according to securities regulatory rules where our Company's stock is listed);

(III) to supervise our Company's operations, propose suggestions, or make inquiries;

(IV) to transfer, donate, or pledge their shares in accordance with laws, administrative regulations, relevant securities regulators' rules, and the Articles of Association;

(V) to obtain relevant information in accordance with the Articles of Association, including:

(i) a copy of the Articles of Association upon payment of costs;

(ii) access to our Company's accounting books and accounting vouchers;

(iii) free access to, and the right to copy upon payment of a reasonable fee, the following information:

the complete register of shareholders;

personal information of directors, supervisors, and senior management;

the report on the issued capital status of our Company;

the report on the total nominal value, quantity, highest and lowest price of each class of shares repurchased by our Company since the previous fiscal year, and all expenses paid by our Company for this purpose (segmented into non-listed shares and H shares);

resolutions of the Board meetings and the Supervisory Committee meetings;

the most recent audited financial statements of our Company, and reports of the Board, the auditor, and the Supervisory Committee;

a copy of the latest annual report submitted to the industry and commerce administration of China or other competent authorities;

minutes of the shareholder's general meetings.

The Hong Kong branch of the shareholder register must be accessible for shareholders' inspection, but our Company may temporarily suspend shareholder registration handling under terms equivalent to Section 632 of the Companies Ordinance (Cap. 622).

In compliance with applicable laws, administrative regulations, and securities regulatory rules where our Company's stock is listed, our Company may refuse to provide information if the content to be inspected and copied involves our Company's business secrets, insider information, or personal privacy of relevant personnel.

Shareholders may entrust intermediary institutions, such as accounting firms or law firms, to review the aforementioned materials.

Shareholders, along with the accounting firms, law firms, or other intermediary institutions they entrust to review or copy relevant materials, must comply with laws and administrative regulations regarding the protection of state secrets, trade secrets, personal privacy, and personal information.

(VI) upon the dissolution or liquidation of our Company, to participate in the distribution of remaining assets in proportion to their shareholding;

(VII) dissenting shareholders who object to resolutions on our Company's merger or division passed at the shareholders' general meeting are entitled to demand that our Company purchase their shares;

(VIII) other rights as provided by laws, administrative regulations, departmental rules, normative documents, listing regulatory rules where our Company's stock is listed, or the Articles of Association.

Shareholders of our Company shall undertake the following obligations:

(I) to comply with laws, administrative regulations, and the Articles of Association;

(II) to pay subscription monies according to the shares subscribed for and the method of subscription;

(III) not to make divestments unless in circumstances stipulated by laws and administrative regulations;

(IV) not to misuse shareholder rights to harm the interests of our Company or other shareholders; not to misuse the independent legal status of our Company and the limited liability of shareholders to harm the interests of our Company's creditors;

(V) to fulfill other obligations stipulated by laws, administrative regulations, the Listing Rules, and the Articles of Association.

Shareholders who misuse their rights and cause losses to our Company or other shareholders shall be liable for compensation according to the law.

Shareholders who misuse the independent legal status of our Company and the limited liability of shareholders to evade debts and severely harm the interests of our Company's creditors shall bear joint liability for our Company's debts.

Proxies

Shareholders may attend the shareholders' general meeting in person or appoint a proxy (who does not need to be a shareholder of our Company) to attend and vote on their behalf.

The power of attorney issued by a shareholder to appoint a proxy to attend a general meeting shall specify:

(I) the name of the proxy and the number of shares represented by the proxy;

(II) whether or not the proxy has any voting rights;

(III) instructions to vote for, against, or abstain from voting on each matter under consideration included in the agenda of the general meeting;

(IV) whether there are voting rights for temporary proposals that may be included in the agenda of the shareholders' general meeting, and if there are voting rights, specific instructions on how to exercise such voting rights;

(V) the date of issue and validity period of the power of attorney;

(VI) signature (or seal) of the principal. If the principal is a corporate shareholder, the corporate seal shall be affixed or the power of attorney should be signed by an authorized representative;

(VII) other matters required to be specified by the listing regulatory rules of the stock exchange where our Company's stock is listed.

The power of attorney shall be kept at our Company's domicile or at such other place as specified in the notice of the meeting at least 24 hours prior to the convening of the meeting at which the power of attorney authorizes voting, or 24 hours prior to the designated voting time. If the power of attorney for voting by proxy is signed by the authorized person of the principal, the letter of authority for signing or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the power of attorney for voting, be kept at our Company's domicile or at such other place as specified in the notice of the meeting.

Power of the Shareholders' General Meeting and Matters to be Determined

The general meeting is the authoritative body of our Company and shall exercise the following functions and powers in accordance with the law:

(I) to decide on the operating guidelines and investment plans of our Company;

(II) to elect and replace directors and supervisors who are not staff representatives and to decide on matters relating to their remuneration;

(III) to consider and approve reports from the Board;

(IV) to consider and approve reports from the Supervisory Committee;

(V) to consider and approve our Company's annual financial budget plans and final account plans;

(VI) to consider and approve our Company's profit distribution plans and loss coverage plans;

(VII) to decide on increases or reductions in our Company's registered capital;

(VIII) to make resolutions on the issuance of corporate bonds, other securities, and proposals for listing;

(IX) to decide on mergers, divisions, dissolutions, liquidations, or changes in the form of our Company;

(X) to amend the Articles of Association, Rules of Procedure for Shareholders' General Meetings, Rules of Procedure for the Board, and Rules of Procedure for the Supervisory Committee;

(XI) to make resolutions regarding our Company's appointments, removals, or non-renewals of accounting firms, as well as their compensation;

(XII) to consider and approve transactions or external guarantees that should be decided by the shareholders' general meeting according to the Articles of Association and the Rules of Procedure for Shareholders' General Meetings;

(XIII) to consider and approve matters related to the purchase or sale of significant assets exceeding 30% of our Company's total audited assets in the most recent year;

(XIV) to consider and approve changes in the intended use of the raised funds;

(XV) to consider and approve related-party transactions, external investments, asset mortgages, external financing, and donations that require the approval of the shareholders' general meeting according to the Listing Rules;

(XVI) to consider the equity incentive plan and employee stock ownership plan;

(XVII) to consider proposals submitted by shareholders who individually or collectively hold more than 1% of the voting shares of our Company;

(XVIII) to consider other matters that should be decided by the shareholders' general meeting as stipulated by laws, administrative regulations, departmental rules, normative documents, the Articles of Association, or the Listing Rules.

The aforementioned authority of the shareholders' general meeting cannot be delegated to the Board or other organizations and individuals for exercise. Without violating laws, regulations, and the mandatory provisions of the securities regulatory authorities where our Company's stock is listed, the shareholders' general meeting may authorize or entrust the Board to manage matters it has authorized or entrusted.

The following external guarantee issues by our Company must be considered and approved by the general meeting of shareholders:

(I) any guarantee provided after the total amount of external guarantees by our Company and its subsidiaries exceeds 50% of the most recent audited net assets;

(II) any guarantee provided for entities with a debt-to-asset ratio over 70%;

(III) any single guarantee that exceeds 10% of the most recent audited net assets;

(IV) any guarantee resulting in the total amount of guarantees exceeding 30% of our Company's most recent audited total assets within twelve consecutive months;

(V) any guarantee provided after the total amount of our Company's external guarantees exceeds 30% of the most recent audited total assets;

(VI) any guarantee provided to shareholders, the actual controller, and their related parties;

(VII) other situations stipulated by laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

The aforementioned external guarantee matters that require the shareholders' general meeting for approval must first be considered and approved by the Board before being submitted to the general meeting of shareholders. The resolution on item (IV) must be approved by more than two-thirds of the voting rights held by shareholders present at the meeting.

When the shareholders' general meeting considers proposals to provide guarantees for shareholders, the actual controller, and their related parties, related shareholders or shareholders controlled by the actual controller shall not participate in the voting. The resolution must be approved by more than half of the voting rights held by other shareholders present at the meeting.

If directors or senior management violate laws, administrative regulations, or the Articles of Association regarding the consideration and approval authority and procedure for external guarantees, causing losses to our Company, they shall be liable for compensation. Our Company may file a lawsuit against them in accordance with the law.

Transactions conducted by our Company (excluding financial assistance, provision of guarantees, or transactions that neither involve payment of consideration nor impose obligations, such as receiving cash assets as gifts or obtaining debt forgiveness by our Company) that meet the following criteria, as defined and calculated in accordance with the provisions of the Listing Rules, must be approved by the Board and then submitted to the general meeting of shareholders for approval:

(I) major transactions;

(II) very substantial disposal transactions;

(III) very substantial acquisition transactions;

(IV) reverse takeovers.

The term "transactions" mentioned above includes, but is not limited to: the purchase or sale of assets; external investments (including entrusted financial management and investments in subsidiaries); leasing of assets (as lessor or lessee); entrusting or accepting entrustment for the management of assets and businesses; gifting or receiving assets as gifts; external donations; debt restructuring; signing licensing agreements; transferring or acquiring research and development projects; granting, accepting, transferring, exercising, terminating or waiving rights (including waiving preemptive rights, priority capital contribution rights, etc.).

However, the aforementioned transactions do not include those related to our Company's ordinary business operations, such as the purchase of raw materials, fuel, and energy; receipt of services; sale of products or goods; provision of services; construction contracting; and other transactions related to daily operations. Notwithstanding this, transactions involving asset swaps that include the aforementioned activities are still covered.

For financial assistance matters (including interest-bearing or interest-free loans, entrusted loans, etc.) incurred by our Company that fall under the category of matters requiring shareholders' general meeting's approval as stipulated in the Listing Rules, such matters shall be submitted to the shareholders' general meeting for approval in addition to being approved by the Board. This requirement may be exempted if the recipient of assistance is a controlling subsidiary within our Company's consolidated financial statements, provided that no controlling shareholder, actual controller, or their associates of our Company are among the subsidiary's other shareholders.

Resolutions at general meetings are categorized as ordinary and special resolutions.

Ordinary resolutions require approval by more than half of the voting rights held by shareholders (including their proxies) present at the meeting.

Special resolutions require approval by more than two-thirds of the voting rights held by shareholders (including their proxies) present at the meeting.

Shareholders (including their proxies) shall exercise their voting rights according to the number of shares with voting rights they represent, except when voting rights must be waived for specific matters according to the securities regulatory rules of the stock exchange where our Company's stock is listed. Each share carries one vote.

When voting, shareholders (including their proxies) with two or more votes are not required to cast all their votes in favor or against.

Shares in our Company that are held by our Company do not carry any voting rights and are not included in the total number of voting shares represented by shareholders present at the general meeting.

The following matters shall be approved by an ordinary resolution at the shareholders' general meeting:

(I) work reports from the Board and the Supervisory Committee;

(II) profit distribution plans and loss coverage plans proposed by the Board;

(III) appointments and removals of members of the Board and the Supervisory Committee, including their remunerations and payment methods;

(IV) annual financial budget plans and final account plans of our Company;

(V) annual reports, balance sheets, profit and loss statements, and other financial statements of our Company;

(VI) appointments, removals, or non-renewals of accounting firms, including their compensation;

(VII) other significant matters exceeding the investment and decision-making authority of the Board as stipulated in the Articles of Association;

(VIII) other matters that, except as required by laws, administrative regulations, departmental rules, normative documents, the listing rules where our Company's stock is listed, the Listing Rules, and the Articles of Association, shall be approved by a special resolution.

The following matters shall be approved by a special resolution at the shareholders' general meeting:

(I) making resolutions concerning the increase or decrease of our Company's registered capital and the issuance of any type of shares, warrants, and other similar securities;

(II) making resolutions regarding the issuance of corporate bonds, other securities, and listing;

(III) making resolutions on mergers, divisions, dissolutions, liquidations, or changes in the form of our Company;

(IV) amending the Articles of Association;

(V) considering and approving the purchase or sale of significant assets exceeding 30% of our Company's total audited assets in the most recent period within a year;

(VI) share schemes;

(VII) matters required by laws, administrative regulations, the Listing Rules, or the Articles of Association, as well as other matters that may have a significant impact on our Company as approved by an ordinary resolution of the shareholders' general meeting.

Convening, Proposal and Notice of the Meeting

Shareholders who individually or collectively hold 10% or more of our Company's shares have the right to request the Board to convene an extraordinary general meeting and add proposals to the meeting agenda. The request must be submitted in writing to the Board and clarify the topics of the meeting. The Board shall provide written feedback on its consent or refusal to convene an extraordinary general meeting within 10 days of receiving the request, pursuant to laws, administrative regulations, or the Articles of Association, and shall not delay or obstruct without cause. If the Board agrees to convene the extraordinary general meeting, a notice convening the meeting shall be issued within 5 days after the Board resolves to do so. Consent from relevant shareholders shall be sought for any alteration to the original request specified in the notice. If the Board does not agree to convene the extraordinary general meeting or does not reply in writing within 10 days of receiving the request, shareholders who individually or collectively hold 10% or more of our Company's shares have the right to request the Supervisory Committee to convene an extraordinary general meeting. The request must be submitted in writing to the Supervisory Committee. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice thereof within 5 days of receiving the request, and any amendment made in the notice to the original proposals shall be subject to the consent of the relevant shareholders. If the Supervisory Committee fails to issue a notice of the general meeting within the specified period, it shall be deemed that the Supervisory Committee will not convene and preside over the general meeting, and shareholders who individually or collectively hold 10% or more of our Company's shares for more than 90 consecutive days are entitled to convene and preside over the meeting themselves.

Contents of a proposal must align with the terms of reference of the general meeting, have clear themes and specific matters for resolutions, and comply with relevant laws, administrative regulations, the listing rules of the location where our Company's stock is listed, and the Articles of Association. The proposal must be submitted in writing.

For the general meeting convened by our Company, the Board, the Supervisory Committee, and shareholders who individually or collectively hold 1% or more of our Company's shares are entitled to submit proposals to our Company.

Shareholders who individually or collectively hold 1% or more of our Company's shares may submit interim proposals to the convener in writing 10 days before the meeting or within the timeframe stipulated by the listing rules where our Company's stock is listed. The convener shall issue a supplementary notice of the general meeting to announce the content of the interim proposals within 2 days after receiving them or within the timeframe stipulated by the listing rules where our Company's stock is listed.

Except as stipulated above, once the notice of the general meeting has been published by the convener, the proposals listed in the notice shall not be altered, and new proposals shall not be added.

Proposals not included in the notice of the shareholders' general meeting or that do not comply with the Articles of Association shall not be voted on or resolved at the shareholders' general meeting.

General meetings are categorized as annual general meetings and extraordinary general meetings. An annual general meeting must be held once a year and occur within six months after the end of the previous financial year.

Our Company shall convene an extraordinary general meeting within two months if any of the following situations arise:

(I) when the number of directors falls below the statutory minimum required by the Company Law or is less than two-thirds of the number of directors stipulated by the Articles of Association;

(II) when our Company's unrecovered losses reach one-third of its total paid-in share capital;

(III) when requested by shareholders who individually or collectively hold 10% or more of our Company's shares (the number of shares held shall be based on the date of the shareholder's written request);

(IV) when the Board deems it necessary;

(V) when the Supervisory Committee proposes to convene;

(VI) other circumstances as provided by laws, administrative regulations, departmental rules, the Listing Rules, the listing rules of the place where our Company's stock is listed, and the Articles of Association.

If the extraordinary general meeting is convened in accordance with the listing rules of the place where our Company's stock is listed, the actual date of the extraordinary general meeting may be adjusted based on the approval progress of the stock exchange in the listing location, if applicable.

Notice of the shareholders' general meeting shall be given in writing and include the following contents:

(I) the time, location, and duration of the meeting;

(II) the matters and proposals to be submitted for consideration at the meeting;

(III) a clear statement indicating that all shareholders have the right to attend the shareholders' general meeting, and may appoint a proxy in writing to attend the meeting and participate in voting. The proxy does not need to be a shareholder of our Company;

(IV) the date of record for shareholders entitled to attend the shareholders' general meeting;

(V) the name and telephone number of the permanent contact person for the meeting;

(VI) information and explanations necessary for shareholders to make informed decisions on the matters to be discussed. This principle includes (but is not limited to) providing the specific terms and contracts (if any) of proposed transactions and offering a thorough explanation of their causes and consequences when our Company proposes mergers, share repurchase, capital restructuring, or other reorganizations;

(VII) the nature and extent of directors, supervisors, managers, and other senior management's interest if they have a significant interest in the matters to be discussed. If the discussed matters affect these personnel as shareholders differently from other shareholders of the same category, this difference must be explained;

(VIII) the full text of any special resolutions proposed to be passed at the meeting;

(IX) the delivery time and location of the power of attorney for the proxies voting at the meeting;

(X) the voting time and procedures for online or other voting methods;

(XI) other matters stipulated by laws, administrative regulations, normative documents, and the Listing Rules.

The notice and supplementary notice of the shareholders' general meeting must fully and completely disclose the specific content of all proposals. If independent non-executive directors need to express their opinions on the discussed matters, their opinions and reasons must be disclosed alongside the issuance of the shareholders' general meeting notice or supplementary notice.

If the shareholders' general meeting uses alternative voting methods, the notice should also specify the voting time and matters for these methods. For meetings using online or other methods, the notice must clearly state the voting time and procedures for these methods. The starting time for online or other voting methods must not be earlier than 3:00 PM on the day before the on-site shareholders' general meeting, and not later than 9:30 AM on the day of the on-site shareholders' general meeting. The closing time must not be earlier than 3:00 PM on the day the on-site shareholders' meeting concludes.

The interval between the date of record and the meeting date must comply with the regulations of the relevant regulatory authorities where our Company's stock is listed. Once the date of record is confirmed, it cannot be changed.

DIRECTORS AND SENIOR MANAGEMENT

Appointment, Removal and Retirement

Directors are elected or replaced by the general meeting of shareholders. Each term of office lasts three years and is renewable upon re-election and re-appointment after expiration. Directors may concurrently serve as the general manager or other senior management, but those holding positions as both directors and general managers or other senior management must not exceed half of the total number of our Company's directors.

The Board consists of six members. The Board shall have one chairman. The chairman is elected by a majority vote of all the directors.

Directors have a duty of loyalty to our Company and must take steps to avoid conflicts of interest between their personal interests and our Company's interests. They must not misuse their authority to seek improper benefits. Directors shall comply with laws, administrative regulations, this Articles of Association, and the Listing Rules:

(I) not to use their official position to accept bribes or other illegal income;

(II) not to exploit their position for the benefit of the actual controller, shareholders, employees, themselves, or other third parties to the detriment of our Company's interests;

(III) not to embezzle company funds or misappropriate company assets;

(IV) not to deposit company assets or funds into an account opened under their personal name or another individual's name;

(V) not to lend company funds to others or provide guarantees using company assets, in violation of the Articles of Association or without the consent of the shareholders' general meeting or the Board meeting;

(VI) not to enter into contracts or conduct transactions with our Company, in violation of the Articles of Association or without the consent of the shareholders' general meeting;

(VII) not to use their official position to seek business opportunities that should belong to our Company for themselves or others, or engage in or operate businesses similar to our Company's for themselves or others, without the consent of the shareholders' general meeting;

(VIII) not to accept commissions from transactions with our Company for personal gain;

(IX) not to disclose company secrets without authorization;

(X) not to use their related-party relationships to harm our Company's interests;

(XI) safeguard our Company's financial security and not assist or condone the controlling shareholder and its subsidiaries in misappropriating company assets;

(XII) comply with other loyalty duties as stipulated by laws, administrative regulations, departmental rules, the Listing Rules, and the Articles of Association.

A director who directly or indirectly enters into a contract or conducts a transaction with our Company must report the relevant details to the Board or the shareholders' general meeting and secure approval through a resolution of the Board or the shareholders' general meeting, as stipulated in the Articles of Association.

The aforementioned provisions also apply to the close relatives of directors, enterprises directly or indirectly controlled by the director or their close relatives, and related parties with other relationships to the director, when they enter into a contract or conduct a transaction with our Company.

A director shall not exploit their position to pursue business opportunities belonging to our Company for personal gain or for others. However, this restriction does not apply in the following circumstances:

(I) the director reports the matter to the Board or the shareholders' general meeting and secures approval through a resolution of the Board or the shareholders' general meeting, in accordance with the Articles of Association;

(II) our Company is unable to utilize the business opportunity due to restrictions under laws, administrative regulations, or the Articles of Association.

Directors, supervisors, and senior management shall not engage in or operate, for themselves or on behalf of others, businesses of the same type as our Company without reporting the matter to the Board or the shareholders' general meeting and obtaining approval through a resolution of the Board or the shareholders' general meeting, as stipulated in the Articles of Association.

When the Board passes a resolution on aforementioned matters, the related director shall abstain from voting, and their voting rights shall be excluded from the total count. If fewer than three unrelated directors are present at the Board meeting, the matter shall be referred to the shareholders' general meeting for deliberation.

Any income obtained by directors in violation of the above provisions shall belong to our Company; if losses are caused to our Company, they shall be liable for compensation.

Directors shall comply with laws, administrative regulations, departmental rules, the Listing Rules, and the Articles of Association. In performing their duties, they shall act in the best interests of our Company and exercise the level of reasonable care generally expected of a manager. Directors subject to the following duties of diligence:

(I) exercise the rights granted by our Company with caution, diligence, and dedication to ensure that our Company's commercial activities comply with national laws, administrative regulations, and various national economic policies, and that business activities do not exceed the scope specified in the business license;

(II) treat all shareholders fairly;

(III) stay informed about our Company's business operations and management status;

(IV) provide written confirmation opinions on periodic reports. Ensure that the information disclosed by our Company is true, accurate, and complete. If directors cannot guarantee the authenticity, accuracy, or completeness of the securities issuance documents and periodic report contents or have objections, they should express their opinion and state their reasons in the written confirmation, which our Company should disclose. If the company does not disclose it, the director may apply for disclosure directly;

(V) provide truthful information and materials to the Supervisory Committee and not obstruct the Supervisory Committee or supervisors from exercising their powers;

(VI) fulfill other diligence duties as stipulated by laws, administrative regulations, departmental rules, the CSRC, the Hong Kong Stock Exchange, the Listing Rules, and the Articles of Association.

If the controlling shareholder or actual controller of our Company does not serve as a director but actively participates in our Company's operations, the provisions of the Articles of Association concerning the fiduciary duties of directors shall apply.

The director of our Company must be a natural person without any of the following circumstances applying:

(I) a person with no or limited civil capacity;

(II) a person who has been convicted of corruption, bribery, embezzlement, misappropriation of property, or undermining the socialist market economic order and sentenced to criminal punishment, or who has been deprived of political rights due to a criminal offense, with less than five years having passed since the completion of the sentence or less than two years since the end of the probation period for those sentenced to probation;

(III) a person who has been a former director, factory manager, or general manager of a company or enterprise that entered into insolvent liquidation and was personally liable for the insolvency, where less than three years have passed since the completion of the bankruptcy and liquidation of the company or enterprise;

(IV) a person who acted as a legal representative of a company or enterprise whose business license was revoked due to legal violations and was ordered to close down, and who was personally responsible, where less than three years have passed since the date of revocation and closure order;

(V) a person who has defaulted on a significant debt upon maturity and has been designated by the people's court as a dishonest individual subject to enforcement;

(VI) a person subject to securities market entry restrictions imposed by the CSRC, with the restriction period not yet expired;

(VII) other content stipulated by laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the company's stock is listed.

If the election, appointment, or designation of directors violates the aforementioned provisions, such election, appointment, or designation shall be deemed invalid.

If a director exhibits any of the circumstances listed in the aforementioned provisions during their term of office, our Company will remove them from their position.

Power to Dispose of the Assets of our Company or Any Subsidiary

Transactions conducted by our Company (excluding connected transactions, financial assistance, provision of guarantees, or transactions that neither involve payment of consideration nor impose obligations, such as receiving cash assets as gifts or obtaining debt forgiveness by our Company) that meet the following criteria, as defined and calculated in accordance with the provisions of the Listing Rules, must be submitted to the Board for approval:

(I) share transactions;

(II) transactions subject to disclosure;

(III) major transactions;

(IV) very substantial disposal transactions;

(V) very substantial acquisition transactions;

(VI) reverse takeovers.

The term "transactions" mentioned above includes, but is not limited to: the purchase or sale of assets; external investments (including entrusted financial management and investments in subsidiaries); leasing of assets (as lessor or lessee); entrusting or accepting entrustment for the management of assets and businesses; gifting or receiving assets as gifts; external donations; debt restructuring; signing licensing agreements; transferring or acquiring research and development projects; granting, accepting, transferring, exercising, terminating or waiving rights (including waiving preemptive rights, priority capital contribution rights, etc.).

However, the aforementioned transactions do not include those related to our Company's ordinary business operations, such as the purchase of raw materials, fuel, and energy; receipt of services; sale of products or goods; provision of services; construction contracting; and other transactions related to daily operations. Notwithstanding this, transactions involving asset swaps that include the aforementioned activities are still covered.

When the transactions specified in the preceding paragraph, transactions related to our Company's ordinary business operations, or connected transactions reach the disclosure threshold under the Listing Rules, they must be submitted to the Board for approval.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Accounts and Audit

The financial and accounting systems of our Company are formulated by our Company in accordance with laws, administrative regulations and the requirements of relevant authorities of the State.

At the end of each fiscal year, our Company prepares financial accounting reports, which are audited by the accounting firm in accordance with the law. The financial accounting reports are prepared in compliance with relevant laws, administrative regulations, departmental rules, and the Listing Rules.

Our Company is required to submit, disclose, and/or present annual reports, interim reports, preliminary results announcements, and other documents to shareholders in accordance with laws, administrative regulations, the regulations of the CSRC, and the securities regulatory rules of the stock exchange where our Company's stock is listed.

Profit Distribution

In distributing this year's profit after tax, 10% shall be allocated to our Company's legal accumulation fund. Once the fund reaches 50% or more of our Company's registered capital, no further appropriations are needed.

If the legal accumulation fund is insufficient to cover the previous year's losses, current year profits must first address these losses before allocation to the legal accumulation fund as per the aforementioned provision.

After allocating profits to the legal accumulation fund, our Company may allocate profits to the optional accumulation fund upon a resolution at the shareholders' general meeting.

Remaining after-tax profits, after covering losses and allocations to the accumulation fund, may be distributed to shareholders in proportion to their holdings unless specified otherwise by the Articles of Association.

If the shareholders' general meeting distributes profits improperly before covering losses and allocating to the legal accumulation fund, shareholders must return the improperly distributed profits.

Shares of our Company held by our Company do not participate in profit distribution.

The accumulation fund shall be used to cover losses, expand production operations, or be converted to increase our Company's share capital.

When the legal accumulation fund is converted into share capital, the remaining amount of that fund must not be less than 25% of our Company's registered capital before conversion.

MERGER, DIVISION, DISSOLUTION AND LIQUIDATION OF OUR COMPANY

In the event of a merger involving our Company, the parties shall execute a merger agreement and formulate a balance sheet and a list of assets. Our Company will notify creditors within 10 days of the resolution date and publish an announcement in newspapers within 30 days. Creditors may, within 30 days of receiving notice or within 45 days of the announcement if they have not received notice, require our Company to settle its debt or provide a relevant guarantee.

Upon a merger, the claims and debts of involved parties shall be assumed by the surviving company or newly established company.

In the event of a division of our Company, its properties shall be allocated accordingly.

For the division, a balance sheet and a list of assets shall be formulated. Our Company shall notify creditors within 10 days of the merger resolution and publish an announcement in newspapers within 30 days.

The company is dissolved for the following reasons:

(I) the term of operations specified in the Articles of Association has expired, or another circumstance for dissolution outlined in the Articles of Association has occurred;

(II) the general meeting decides to dissolve it;

(III) it is necessary to dissolve due to a merger or division of our Company;

(IV) its business license is canceled, or it is ordered to close down or dissolve according to the law;

(V) when our Company faces severe operational and management difficulties, its continuous existence may cause material losses to shareholders' interests, and such difficulties cannot be resolved otherwise, shareholders holding more than 10% of the voting rights may apply to the people's court to dissolve our Company;

(VI) our Company is declared bankrupt by law due to its inability to repay debts as they become due.

If our Company is to be dissolved according to the provisions of sub-paragraphs (I), (II), (IV), (V), and (VI) of the preceding Article, a liquidating group shall be established, and liquidation shall commence within 15 days from the date the cause for dissolution arises. The liquidating group shall consist of personnel determined by the directors or the general meeting. If our Company fails to establish the liquidating group and carry out the liquidation within the time limit, its creditors may petition the people's court to appoint relevant persons to form a liquidating group and proceed with the liquidation.

The liquidating group must notify creditors within 10 days of its establishment and make public announcements in newspapers within 60 days of its establishment. Creditors should declare their claims to the liquidating group within 30 days from receiving the written notice or, if they did not receive a written notice, within 45 days from the announcement date.

When declaring their claims, creditors must explain the particulars relevant to their claims and provide supporting documentation. The liquidating group shall register the claims.

During the claims declaration period, the liquidating group shall not repay the debts to creditors.

After the liquidation group has liquidated our Company's property and formulated a balance sheet and a list of assets, it shall draft a liquidation plan and submit it to the general meeting or the people's court for confirmation. Our Company's property remaining after payment of the liquidation expenses, employee wages, social insurance premiums, statutory compensation for the employees, taxes owed, and all our Company's debts shall be distributed to the shareholders in proportion to the shares they hold.

During liquidation, our Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. Our Company's property will not be distributed to the shareholders until its debts are repaid in accordance with the preceding provision.

If the liquidating group, after liquidating our Company's property and formulating a balance sheet and a list of assets, finds that our Company's property is insufficient to fully pay its debts, it shall apply to the people's court for a bankruptcy declaration in accordance with the law.

Once the people's court declares our Company bankrupt, the liquidating group shall transfer the liquidation matters to the people's court.

After completing the liquidation of our Company, the liquidating group shall formulate a liquidation report, submit it to the general meeting or the people's court for confirmation, and to our Company's registration authority to apply for company deregistration, and announce the termination of our Company.

OTHER PROVISIONS MATERIAL TO OUR COMPANY AND OUR SHAREHOLDERS

General Provisions

Our Company is a joint stock company, with perpetual duration.

From the date the Articles of Association take effect, they shall serve as a legally binding document regulating our Company's organization and conduct, as well as the rights and obligations between our Company and its shareholders, and among the shareholders themselves. The Articles of Association is legally binding on our Company, shareholders, directors, supervisors, and senior management. The aforementioned personnel may assert their rights related to Company matters in accordance with the Articles of Association. Under the Articles of Association, shareholders may sue other shareholders, directors, supervisors, the general manager, and other senior management of our Company. Similarly, our Company may sue shareholders, directors, supervisors, the general manager, and other senior management.

Board

The Board exercises the following powers:

(I) responsible for convening the shareholders' general meeting and reporting work progress to it;

(II) implement the resolutions of the shareholders' general meeting;

(III) decide on our Company's business plans and investment proposals;

(IV) formulate our Company's annual financial budget plans and final account plans;

(V) formulate our Company's profit distribution plans and loss coverage plans;

(VI) formulate plans for our Company to increase or reduce registered capital, issue bonds or other securities, and listing plans;

(VII) draft plans for significant acquisitions, repurchase of our Company's shares, mergers, divisions, dissolution, and changes in company form;

(VIII) approve related transactions, external investments, asset mortgages, external financing, and donations as stipulated by the listing rules of the stock exchange where our Company's stock is listed;

(IX) consider external guarantees except those requiring approval by the shareholders' general meeting;

(X) consider the purchase and sale of assets except those requiring approval by the shareholders' general meeting;

(XI) determine the establishment of internal management institutions within our Company;

(XII) determine the appointment or dismissal of the general manager, Board secretary, and other senior management, and decide their remuneration, rewards, and penalties. Based on the general manager's nomination, determine the appointment or dismissal of deputy general managers, the person in charge of finance, and other senior management, and decide their remuneration, rewards, and penalties;

(XIII) formulate our Company's basic management system;

(XIV) draft the establishment plan for the Board's special committees and submit it to the shareholders' general meeting for approval, and determine the selection of personnel for the Board's special committees;

(XV) formulate amendments to the Articles of Association;

(XVI) manage our Company's information disclosure matters;

(XVII) propose to the shareholders' general meeting to appoint or replace the accounting firm for our Company's audit;

(XVIII) hear the general manager's work report and inspect the general manager's work;

(XIX) exercise other powers granted by laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

Matters exceeding the approval authority granted by the shareholders' general meeting as specified above, and matters that must be submitted to the shareholders' general meeting for consideration and approval according to laws, administrative regulations, departmental rules, the Listing Rules, and the Articles of Association, shall be submitted by the Board to the shareholders' general meeting for consideration and approval.

A Board meeting can occur only if more than half of the directors are present. To pass a resolution, it must receive approval from more than half of all directors.

Voting on Board resolutions follows a one-person, one-vote principle.

When our Company's directors, supervisors, the general manager, or other senior management have a direct or indirect material interest in our Company's existing or proposed contracts, transactions, or arrangements (excluding employment contracts between our Company and its directors, supervisors, the general manager, and other senior management), they must promptly disclose the nature and extent of their interests to the Board, regardless of whether the matter requires Board approval under normal circumstances. If a director or their associate (as defined under the prevailing Listing Rules) has a related interest or material interest in matters or entities being resolved in a Board meeting, unless permitted by laws, regulations, or the securities regulatory rules where our Company's stock is listed:

(I) the director shall not exercise voting rights on such resolutions and shall not proxy the voting rights of other directors;

(II) when determining whether a quorum is present at the Board meeting, the director shall not be counted, and the Board meeting shall be held with the presence of more than half of the unrelated directors, and resolutions of the Board meeting shall be passed by more than half of the unrelated directors;

(III) if fewer than three unrelated directors attend the Board meeting, the matter shall be submitted to the shareholders' general meeting for consideration.

The Board's resolutions concerning "related-party transactions" as defined under the Listing Rules must comply with the relevant provisions of the Listing Rules.

Special Committees of the Board

The Board has the audit committee, the nomination committee, and the remuneration committee. These special committees are accountable to the Board and perform their duties in accordance with the Articles of Association and the Board's authorization. The proposals of the special committees must be submitted to Board meetings for consideration and approval. All members of the special committees are directors. The chairman of the audit committee must be appointed by the Board and must be an independent non-executive director. The chairman of the audit committee should be a professional accountant with the appropriate professional qualifications or relevant accounting or financial management expertise as required by the Listing Rules. The chairman of the nomination committee must be either the chairman of the Board or an independent non-executive director from among the committee members and appointed by the Board. The chairman of the remuneration committee is appointed by the Board and must be an independent non-executive director. The Board is responsible for formulating the working rules of the special committees to regulate their operations. The Board is also responsible for formulating the rules of procedure for each special committee, specifying matters such as their composition, powers, and procedures. Each special committee may engage intermediary organizations to provide professional advice, with the related costs borne by our Company.

Independent Non-Executive Directors

Our Company shall have independent non-executive directors. Unless otherwise required, the provisions of the Articles of Association regarding the qualifications and obligations of the directors shall apply to the independent non-executive directors. Matters related to our Company's independent non-executive directors should be conducted in accordance with laws, administrative regulations, relevant regulatory authorities, and the stock exchange rules, as specifically stipulated by the working rules of independent non-executive directors of our Company.

The Board consists of six directors, including three independent non-executive directors elected by the general meeting of shareholders. At any time, there must be no fewer than three independent non-executive directors, who must comprise more than one-third of the total number of Board members. Among our Company's independent non-executive directors, at least one must possess appropriate accounting or relevant financial management expertise. Independent non-executive directors should have sufficient commercial or professional experience to perform their duties competently, fulfill their responsibilities faithfully, and protect our Company's interests. They must particularly ensure that the legal rights of public shareholders are not infringed, thereby ensuring the interests of all shareholders are fully represented. At least one independent non-executive director must normally reside in Hong Kong.

If an independent non-executive director's term exceeds six years, the continuation of their service should adhere to the appropriate consideration procedures specified by the Listing Rules.

General Manager

Our Company will appoint one general manager, nominated by the Chairman of the Board and hired or dismissed by the Board. The general manager's term of office is three years per term, renewable upon re-election and re-appointment after expiration. The general manager shall be accountable to the Board and exercise the following powers:

(I) preside over our Company's production, operations, and management; organize the implementation of Board meeting resolutions; and report work progress to the Board;

(II) organize the implementation of our Company's annual business plans and investment proposals; execute our Company's financial budget plans;

(III) draft the scheme for the establishment of internal management institutions within our Company;

(IV) draft our Company's basic management system;

(V) formulate our Company's specific regulations;

(VI) propose to the Board the appointment or dismissal of deputy general managers and the person in charge of finance;

(VII) decide on the appointment or dismissal of management, except for those whose appointment or dismissal is decided by the Board;

(VIII) decide on matters regarding external guarantees, external investments, external financing, purchase or sale of assets, asset mortgages, and related-party transactions that do not require approval from the shareholders' general meeting, the Board meeting, or the chairman of the Board;

(IX) other powers granted by the Articles of Association, the Board, or the chairman of the Board;

The general manager attends Board meetings but does not have voting rights if they are not a member of the Board.

Board Secretary

Our Company shall establish the position of Board secretary, who will be responsible for preparing shareholders' general meetings and Board meetings, maintaining documents, managing shareholders' information, and handling information disclosure matters. The Board secretary should be a natural person with the necessary professional knowledge and experience and must meet the requirements under the listing rules where our Company's stock is listed. The Board secretary is nominated by the chairman of the Board and appointed or dismissed by the Board. Each term of office for a Board secretary shall be three years, renewable upon re-election and re-appointment after expiration.

Supervisory Committee

Directors, the general manager, and other senior management shall not serve as supervisors during their term of office.

Each supervisor's term is 3 years, renewable upon re-election and re-appointment after expiration.

Our Company has a Supervisory Committee, consisting of three supervisors, with one chairperson. The chairperson is elected by a majority of all supervisors and convenes and presides over the Supervisory Committee meetings. If the chairperson is unable or fails to perform these duties, more than half of the supervisors can jointly elect one supervisor to convene and preside over the meetings.

The Supervisory Committee includes representatives of shareholders and employees, with employee representatives making up at least one-third of the Board. Employee representatives are elected democratically by the employees through an employee representative assembly, employee assembly, or other forms.

The Supervisory Committee is accountable to the shareholders' general meeting and exercises the following powers in accordance with the law:

(I) review the periodic reports prepared by the Board and provide written audit opinions;

(II) inspect our Company's financial affairs;

(III) supervise the conduct of directors and senior management in performing their duties for our Company and propose the removal of directors and senior management who violate laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' general meeting;

(IV) require directors and senior management to rectify their conduct when they harm our Company's interests;

(V) propose the convening of an extraordinary general meeting and convene and preside over shareholders' general meetings when the Board fails to fulfill its duties to convene and preside over such meetings as stipulated by the Company Law and other laws, regulations, and listing rules of the place where our Company's stock is listed;

(VI) submit proposals to the shareholders' general meeting;

(VII) propose the convening of an extraordinary Board meeting;

(VIII) attend Board meetings and raise inquiries or suggestions regarding matters resolved by the Board;

(IX) initiate litigation against directors and senior management in accordance with the Company Law and the Articles of Association;

(X) conduct investigations when any abnormal business operations of our Company are discovered, and, if necessary, engage professional institutions such as accounting firms or law firms to assist in its work, with the expenses borne by our Company;

(XI) other powers granted by laws, administrative regulations, departmental rules, normative documents, the Listing Rules, and the Articles of Association.

Meetings of the Supervisory Committee shall be convened at least once every six months. Supervisors may propose holding an extraordinary meeting.

Amendments to Constitutional Documents of our Company

Under any of the following circumstances, our Company shall amend the Articles of Association:

(I) if amendments to the Company Law, the Listing Rules, or relevant laws and administrative regulations result in conflicts with the provisions of the Articles of Association;

(II) if changes in our Company's status quo lead to inconsistencies with the matters recorded in the Articles of Association;

(III) if the shareholders' general meeting decides to amend the Articles of Association.

The Board shall amend the Articles of Association in accordance with the resolutions of the shareholders' general meeting and the approval opinions of the relevant competent authorities. Amendments to the Articles of Association passed by the shareholders' general meeting that require approval from the competent authorities must be submitted for their approval. If the amendments involve matters of company registration, the changes must be registered in accordance with the law. If the amendments to the Articles of Association pertain to information required by law or regulations to be disclosed, they shall be announced as prescribed.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was established as a limited liability company under the laws of PRC on January 7, 2009, and was subsequently converted into a joint stock company with limited liability on November 8, 2022. Our registered office is located at No. 5, Industrial North First Road, Songshan Lake Zone, Dongguan, Guangdong Province, the PRC.

Our Company has established a principal place of business in Hong Kong at 28/F, Henley Building, 5 Queen's Road Central, Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 4, 2024. Our Company has appointed DeHeng Law Offices (Hong Kong) LLP as its authorised representative under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company is incorporated in the PRC, we are subject to 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 Appendices VI and VII to this prospectus.

2. Changes in the Share Capital of our Company

As at the date of the establishment of our Company, our initial registered capital was RMB10,000,000. As at the Latest Practical Date, our share capital was RMB363,198,011 consisting of 363,198,011 issued Unlisted Shares with a nominal value of RMB1.00 each, which has been fully paid up.

Save as disclosed in "History, Development and Corporate Structure", there had been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

Immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, assuming that the Over-allotment Option is not exercised, our issued share capital will be increased to RMB393,268,511, divided into 334,278,085 Unlisted Shares and 58,990,426 H Shares, with a nominal value of RMB1.00 each fully paid up or credited as fully paid up, representing approximately 85.0000% and 15.0000% of our enlarged share capital, respectively.

3. Shareholders' Resolutions of our Company

Pursuant to the general meeting held on 29 November, 2024, the following resolutions, among others, were duly passed by our Shareholders:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall be approximately 10% of the enlarged share capital of our Company upon completion of the Global Offering (in fulfillment of the lowest applicable public float requirement pursuant to the Listing Rules) and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) upon the completion of the Global Offering, 28,919,926 Unlisted Shares in aggregate will be converted into H Shares on a one-for-one basis;

(d) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date; and

(e) authorisation of our Board and its authorised persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares on the Stock Exchange.

4. Changes in the registered capital of our subsidiaries

The list of our subsidiaries is set out in Note 14 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Development and Corporate Structure — Corporate Development — Our Subsidiaries" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to the sections headed "Summary of Articles of Association" which is set out in Appendix VI to this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus, which is or may be material:

(a) the fourth supplemental agreement to the shareholders' agreement (《股東協議》之補充協議(四)) dated November 29, 2024 entered into among (1) the Company, (2) Li Xiguang (李錫光), (3) Au Yeung Chung (歐陽忠), (4) Lee Yuk Ming (李玉明), (5) Zhuang Shuguang (莊樹廣), (6) Yuan Yi (袁毅), (7) Dinghong Investment Consulting Center (Limited Partnership)* (東莞市鼎弘投資諮詢中心(有限合夥)), (8) Dongguan Wanghe Investment Consulting Center (Limited Partnership)* (東莞市旺和投資諮詢中心(有限合夥)), (9) Dongguan Runsheng Investment Consulting Center (Limited Partnership)* (東莞市潤生投資諮詢中心(有限合夥)), (10) Shenzhen Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)), (11) Qingdao Shangqi Huizhu Zhanxin Industry Investment Fund Partnership (Limited Partnership)* (青島尚頎匯鑄戰新產業投資基金合夥企業(有限合夥)), (12) Jiaxing Qiying Venture Capital Partnership (Limited Partnership)* (嘉興頎盈創業投資合夥企業(有限合夥)), (13) BYD Company Limited (比亞迪股份有限公司), and (14) Jiaxing Chuangqi Kaiying Venture Capital Partnership (Limited Partnership)* (嘉興市創啟開盈創業投資合夥企業(有限合夥)), pursuant to which the parties thereto agreed on shareholders' matters, among other things, the termination of the special rights granted to the parties thereto;

(b) the fourth supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議(四)) dated November 29, 2024 entered into among (1) the Company, (2) Li Xiguang (李錫光), and (3) China-Belgium Direct Equity Investment Fund (中國 — 比利時直接股權投資基金) ("**China-Belgium Fund**"), pursuant to which the parties therein agreed on, among other things, the termination of the share redemption rights of China-Belgium Fund;

(c) the fourth supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議(四)) dated November 29, 2024 entered into among (1) the Company, (2) Li Xiguang (李錫光), (3) Shenzhen Chunyang Jiutai Venture Capital Partnership (Limited Partnership)* (深圳春陽久泰創業投資合夥企業(有限合夥)) ("**Chunyang Jiutai**"), and (4) Shanghai Qingyi Xinyang Venture Capital Partnership (Limited Partnership)* (上海氫毅昕陽創業投資合夥企業(有限合夥)) ("**Qingyi Xinyang**"), pursuant to which the parties therein agreed on, among other things, the termination of the share redemption rights of Chunyang Jiutai and Qingyi Xinyang;

(d) the fourth supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議(四)) dated November 29, 2024 entered into among (1) the Company, (2) Li Xiguang (李錫光), (3) Guangdong Liwan Equity Investment Partnership (Limited Partnership)* (廣東立灣股權投資合夥企業(有限合夥)) ("**Liwan Investment**"), (4) Guangzhou Zhongguangyuan Shangkechuang Phase II Venture Capital Partnership (Limited Partnership)* (廣州中廣源商科創二期創業投資合夥企業(有限合夥)) ("**Zhongguangyuan**"), and (5) Dongguan Liwan Youxuan No. 7 Venture Capital Partnership (Limited Partnership)* (東莞立灣優選七號創業投資合夥企業(有限合夥)) ("**Liwan Youxuan**"), pursuant to which the parties therein agreed on, among other things, the termination of the share redemption rights of Liwan Investment, Zhongguangyuan, and Liwan Youxuan upon filing of listing application;

(e) the fourth supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議(四)) dated November 29, 2024 entered into among (1) the Company, (2) Li Xiguang (李錫光), (3) Dongguan Yueke Xintai Industrial Control Venture Capital Partnership (Limited Partnership)* (東莞粵科鑫泰工控創業投資合夥企業(有限合夥)) ("**Yueke Xintai**"), and (4) Jinyun Tianyu Equity Investment Partnership (Limited Partnership)* (縉雲天域股權投資合夥企業(有限合夥)) ("**Jinyun Tianyu**"), pursuant to which the parties therein agreed on, among other things, the termination of the share redemption rights of Yueke Xintai and Jinyun Tianyu;

(f) the third supplemental agreement to the share subscription agreement (關於《股份認購協議》之補充協議(三)) dated November 29, 2024 entered into among (1) the Company, (2) Li Xiguang (李錫光), and (3) Dongguan Liwan Beizeng No. 1 Venture Capital Partnership (Limited Partnership)* (東莞立灣倍增一號創業投資合夥企業(有限合夥)) ("**Liwan Beizeng**"), pursuant to which the parties therein agreed on, among other things, the termination of the share redemption rights of Liwan Beizeng;

(g) the cornerstone investment agreement dated November 25, 2025 entered into among (1) the Company, (2) GF Global Capital Limited (廣發全球資本有限公司), (3) CITIC Securities (Hong Kong) Limited (中信證券(香港)有限公司), and (4) CLSA Limited (中信里昂證券有限公司), with respect to a subscription of Offer Shares at the Offer Price in the aggregate amount of RMB120,000,000 (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee);

(h) the cornerstone investment agreement dated November 25, 2025 entered into among (1) the Company, (2) Glory Ocean Innovation Limited, (3) CITIC Securities (Hong Kong) Limited (中信證券(香港)有限公司), and (4) CLSA Limited (中信里昂證券有限公司), with respect to a subscription of Offer Shares at the Offer Price in the aggregate amount of HK$30,000,000 (including the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee); and

(i) the Hong Kong Underwriting Agreement.

2. Our Material Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
1.		Our Company	Singapore	9 35	40202317560V	From August 10, 2023 to August 9, 2033
2.	TYSiC	Our Company	Australia	9 35	2378593 2378602	From August 9, 2023 to August 9, 2033
3.		Our Company	Australia	9 35	2378618 2378608	From August 9, 2023 to August 9, 2033
4.	天域	Our Company	Australia	9	2378614	From August 9, 2023 to August 9, 2033
5.	天域	Our Company	Hong Kong	9 35	306319125	From August 10, 2023 to August 9, 2033
6.	TYSiC	Our Company	Hong Kong	9 35	306319189	From August 10, 2023 to August 9, 2033
7.		Our Company	Hong Kong	9 35	306319107	From August 10, 2023 to August 9, 2033
8.	TYSiC	Our Company	The PRC	9 35	41688924 41707333	From June 21, 2020 to June 20, 2030
9.	天域	Our Company	The PRC	9	23312397	From March 14, 2018 to March 13, 2028
10.	TYSiC	Our Company	The PRC	9	23313330	From January 28, 2020 to January 27, 2030
11.	TYSTC	Our Company	The PRC	35	17133179	From August 21, 2016 to August 20, 2026
12.	天域	Our Company	The PRC	9	9562768	From January 28, 2023 to January 27, 2033
13.		Our Company	The PRC	9	9562655	From January 14, 2024 to January 13, 2034
14.	天域	Our Company	United Kingdom	9 35	UK00004099564	From September 13, 2024 to September 12, 2034

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
15.		Our Company	United Kingdom	9 35	UK00004099587	From September 13, 2024 to September 12, 2034
16.	TYSiC	Our Company	United Kingdom	9 35	UK00004099573	From September 13, 2024 to September 12, 2034
17.	召芯	South Semiconductor	The PRC	9	38775463	From February 7, 2020 to February 6, 2030
18.	CWBG	South Semiconductor	The PRC	9	39757628	From April 14, 2020 to April 13, 2030
19.		Our Company	South Korea	9	40–2305255	From January 21, 2025 to January 20, 2035
20.		Our Company	South Korea	35	40–2305254	From January 21, 2025 to January 20, 2035
21.	TYSiC	Our Company	South Korea	35	40–2305256	From January 21, 2025 to January 20, 2035
22.	TYSiC	Our Company	South Korea	9	40–2305257	From January 21, 2025 to January 20, 2035
23.	天域	Our Company	South Korea	35	40–2305251	From January 21, 2025 to January 20, 2035
24.	天域	Our Company	South Korea	9	40–2305253	From January 21, 2025 to January 20, 2035

(b) Patents

(i) As at the Latest Practicable Date, we have registered 84 patents and we set out below the details of patents which we considered to be material to our business:

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
1.	Methods and apparatus for constructing trays used in equipment for planetary epitaxial growth (行星式外延生長設備中托盤的構成方法和裝置)	Our Company	201110133831.2	Invention	The PRC	May 23, 2011	May 23, 2031
2.	A vertical silicon apparatus for oxidation of carbide at a high temperature (一種垂直式碳化硅高溫氧化裝置)	Our Company	201210203696.9	Invention	The PRC	June 19, 2012	June 19, 2032
3.	A horizontal silicon apparatus for oxidation of carbide at high temperature (一種水平式碳化硅高溫氧化裝置)	Our Company	201210226334.1	Invention	The PRC	July 2, 2012	July 2, 2032
4.	A processing method and apparatus for extensive silicon carbide epitaxial growth at high temperature (一種高溫大面積碳化硅外延生長裝置及處理方法)	Our Company	201210260432.7	Invention	The PRC	July 25, 2012	July 25, 2032
5.	A double-sealed structure for quartz tube of ultra-high temperature with dual cooling layer used in vacuum chambers (一種超高溫雙層水冷石英管真空室用雙密封結構)	Our Company	201310470610.3	Invention	The PRC	October 9, 2013	October 9, 2033
6.	A chemical-mechanical cleaning method for SiC epitaxial wafer (一種SiC外延片的化學機械清洗方法)	Our Company	201410353373.7	Invention	The PRC	July 23, 2014	July 23, 2034

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
7.	A CVD heating coil structure of high temperature used in vacuum chamber (一種真空室用高溫CVD加熱線圈結構)	Our Company	201611251450.3	Invention	The PRC	December 30, 2016	December 30, 2036
8.	A processing method for the back of large SiC chips (一種大尺寸SiC晶片的背面處理方法)	Our Company	201710010531.2	Invention	The PRC	January 6, 2017	January 6, 2037
9.	An epitaxial method for minimizing triangular defects on the surface of SiC epitaxial wafers (一種降低SiC外延晶片表面三角形缺陷的外延方法)	Our Company	201710120128.5	Invention	The PRC	March 2, 2017	March 2, 2037
10.	A cleaning method for removing metal contamination or residues on SiC epitaxial wafers (一種去除SiC外延晶片金屬污染或殘留的清洗方法)	Our Company	201710120161.8	Invention	The PRC	March 2, 2017	March 2, 2037
11.	A preparation method for materials of silicon carbide high-voltage PiN diode devices (一種SiC超高壓PiN二極管器件材料的製備方法)	Our Company	201710459941.5	Invention	The PRC	June 17, 2017	June 17, 2037
12.	A method for preparing epitaxial materials for SiC avalanche photodiode equipment (一種SiC雪崩光電二極管器件外延材料的製備方法)	Our Company	201710459925.6	Invention	The PRC	June 17, 2017	June 17, 2037
13.	A materials and manufacturing method for high-voltage P-channel silicon carbide IGBT devices (一種超高壓P溝道SiC IGBT器件材料及其製造方法)	Our Company	202010439522.7	Invention	The PRC	May 22, 2020	May 22, 2040

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
14.	An epitaxy method and application for reducing stacking faults in epitaxial wafers (一種降低外延片堆疊層錯缺陷的外延方法及其應用)	Our Company	202010439296.2	Invention	The PRC	May 22, 2020	May 22, 2040
15.	A cleaning method for reaction chamber components of silicon carbide chemical vapor deposition equipment (一種SiC化學氣相沉積設備反應腔配件清潔方法)	Our Company	202010452392.0	Invention	The PRC	May 26, 2020	May 26, 2040
16.	A preparation method for gradient PN junction materials (一種漸變式PN結材料的製備方法)	Our Company	202010501945.7	Invention	The PRC	June 4, 2020	June 4, 2040
17.	A method for suppressing crown defects at epitaxial edges (一種抑制外延邊緣Crown缺陷的方法)	Our Company	202110771412.5	Invention	The PRC	July 8, 2021	July 8, 2041
18.	A method for rapidly removing backside deposits from wafers during silicon carbide epitaxy (一種快速去除碳化硅外延過程中晶片背面沉積物的方法)	Our Company	202110978852.8	Invention	The PRC	August 25, 2021	August 25, 2041
19.	A preparation method for composite coatings on sample trays for silicon carbide epitaxy (一種碳化硅外延晶片生長用樣品托上的複合塗層製備方法)	Our Company	202111107336.4	Invention	The PRC	September 22, 2021	September 22, 2041
20.	A method for reducing warpage in semiconductor epitaxy wafers (一種降低半導體外延片翹曲度的方法)	Our Company	202210729428.4	Invention	The PRC	June 24, 2022	June 24, 2042

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
21.	A method for growing low-warpage semiconductor substrate wafers (一種生長低翹曲半導體基底晶片的方法)	Our Company	202210729423.1	Invention	The PRC	June 24, 2022	June 24, 2042
22.	A structure of an 8-inch single-substrate high-temperature silicon carbide epitaxy growth chamber (一種8英吋單片高溫碳化硅外延生長室結構)	Our Company	201621419794.6	Utility Model	The PRC	December 21, 2016	December 21, 2026
23.	A main plate structure for rotating satellite disks in silicon carbide epitaxy (一種衛星盤自轉的SiC外延生長主盤結構)	Our Company	201621419760.7	Utility Model	The PRC	December 21, 2016	December 21, 2026
24.	A detachable composite polishing disk (一種可拆卸的組合式拋光盤)	Our Company	201720061831.9	Utility Model	The PRC	January 17, 2017	January 17, 2027
25.	A structure of a growth chamber for large-area silicon carbide epitaxial layers with uniform doping (超摻雜均勻性大面積SiC外延層生長腔室結構)	Our Company	201720237302.X	Utility Model	The PRC	March 10, 2017	March 10, 2027
26.	A weight-press type ring blade grinder for polishing equipment (一種拋光設備用的配重加壓式環刀型修盤器)	Our Company	201921570583.6	Utility Model	The PRC	September 20, 2019	September 20, 2029
27.	A cylinder-press type ring blade grinder (一種氣缸加壓式環刀型修盤器)	Our Company	201921570597.8	Utility Model	The PRC	September 20, 2019	September 20, 2029
28.	A gas supply device for epitaxy furnaces (一種外延爐供氣裝置)	Our Company	201921368527.4	Utility Model	The PRC	August 20, 2019	August 20, 2029

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
29.	A polishing device for changing the warpage of silicon carbide wafers (一種改變SiC晶片翹曲度的拋光裝置)	Our Company	202021000501.9	Utility Model	The PRC	June 3, 2020	June 3, 2030
30.	A gas mixing device for silicon carbide chemical vapor deposition equipment (一種碳化硅化學氣相沉積設備氣體混合裝置)	Our Company	202121551692.0	Utility Model	The PRC	July 9, 2021	July 9, 2031
31.	A sample tray and device for growing silicon carbide epitaxial wafers (一種生長碳化硅外延晶片用樣品托及其裝置)	Our Company	202121544878.3	Utility Model	The PRC	July 8, 2021	July 8, 2031
32.	A platform for eliminating large area contact on wafer fronts (一種避免晶圓正面大面積接觸的載物台)	Our Company	202121597934.X	Utility Model	The PRC	July 14, 2021	July 14, 2031
33.	A tray structure for suppressing white spots or particles on the backside of silicon carbide epitaxial wafers (抑制SiC外延片背面生長白斑或顆粒物的托盤結構)	Our Company	202121597910.4	Utility Model	The PRC	July 14, 2021	July 14, 2031
34.	A mercury CV magnetic testing fixture (一種汞CV磁吸式測試夾具)	Our Company	202121600230.3	Utility Model	The PRC	July 14, 2021	July 14, 2031
35.	A silicon carbide chemical vapor deposition reactor (一種碳化硅化學氣相沉積反應器)	Our Company	202122118366.7	Utility Model	The PRC	September 3, 2021	September 3, 2031
36.	A tray for semiconductor epitaxy growth (半導體外延生長用托盤)	Our Company	202221089361.4	Utility Model	The PRC	May 7, 2022	May 7, 2032
37.	An epitaxial wafer tray (外延片托盤)	Our Company	202221060880.8	Utility Model	The PRC	May 5, 2022	May 5, 2032

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
38.	A tray for epitaxy growth (用於外延生長的托盤)	Our Company	202221060631.9	Utility Model	The PRC	May 5, 2022	May 5, 2032
39.	A clamp for gripping silicon carbide epitaxial wafers of various sizes (一種用於夾取多種尺寸的半導體碳化硅外延片的夾子)	Our Company	202221602714.6	Utility Model	The PRC	June 24, 2022	June 24, 2032
40.	An accessory structure for growing high-quality semiconductor epitaxial wafers (一種用於生長高品質半導體外延片的配件結構)	Our Company	202221602761.0	Utility Model	The PRC	June 24, 2022	June 24, 2032
41.	A condensation device for cooling circulating water (一種冷卻循環水的冷凝裝置)	Our Company	202221539492.8	Utility Model	The PRC	June 20, 2022	June 20, 2032
42.	A sample tray for growing silicon carbide epitaxial wafers with composite coating (一種具有複合塗層的碳化硅外延晶片生長用樣品托)	Our Company	202122291067.3	Utility Model	The PRC	September 22, 2021	September 22, 2031
43.	A current heating device for conductive silicon carbide wafers (用於導電型碳化硅晶片的電流加熱裝置)	Our Company	202221248562.4	Utility Model	The PRC	May 20, 2022	May 20, 2032
44.	An epitaxy furnace device (外延爐裝置)	Our Company	202221248535.7	Utility Model	The PRC	May 20, 2022	May 20, 2032
45.	A pipeline supply system (管路供應系統)	Our Company	202221487953.1	Utility Model	The PRC	June 14, 2022	June 14, 2032
46.	A silicon carbide epitaxy growth pipeline system (碳化硅外延生長管路系統)	Our Company	202221486035.7	Utility Model	The PRC	June 15, 2022	June 15, 2032

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
47.	A butterfly valve cleaning fixture and splash protection device (一種蝶閥清洗固定與防潑水裝置)	Our Company	202221908151.3	Utility Model	The PRC	July 22, 2022	July 22, 2032
48.	A vacuum suction pen (真空吸筆)	Our Company	202222776427.3	Utility Model	The PRC	October 20, 2022	October 20, 2032
49.	A carrier for hollow detection of semiconductor wafers (用於半導體晶片空洞檢測的載台)	Our Company	202222775929.4	Utility Model	The PRC	October 20, 2022	October 20, 2032
50.	A detachable probe for silicon carbide carrier concentration test instruments (一種用於碳化硅載流子濃度測試儀上的可拆卸探頭)	Our Company	202223537322.9	Utility Model	The PRC	December 28, 2022	December 28, 2032
51.	A device for improving production efficiency in silicon carbide epitaxy furnace wafer handling (一種提高生產效率的碳化硅外延爐托盤取片裝置)	Our Company	202223536028.6	Utility Model	The PRC	December 30, 2022	December 30, 2032
52.	A tray for growing semiconductor epitaxy wafers (用於生長半導體外延片的托盤)	Our Company	202223592696.0	Utility Model	The PRC	January 3, 2023	January 3, 2033
53.	An accessory for guiding flow of process gas (一種製程工藝氣體的導流配件)	Our Company	202320072195.5	Utility Model	The PRC	January 10, 2023	January 10, 2033
54.	A CV testing fixture capable of switching between different sizes (一種能夠自由切換不同大小尺寸的CV測試夾具)	Our Company	202320221899.4	Utility Model	The PRC	February 15, 2023	February 15, 2033
55.	A clamp for testing the roughness of silicon carbide surfaces (碳化硅表面粗糙度測試儀卡位器)	Our Company	202321388527.7	Utility Model	The PRC	June 2, 2023	June 2, 2033

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
56.	A quartz bell jar protection device (石英鐘罩保護裝置)	Our Company	202323659215.8	Utility Model	The PRC	December 29, 2023	December 29, 2033
57.	A device for improving the uniformity of process gas mixing (一種提高工藝氣體混合均勻性的裝置)	Our Company	202420558283.0	Utility Model	The PRC	March 21, 2024	March 21, 2034
58.	Silicon carbide epitaxial wafer growth carrier (碳化硅外延片生長載盤)	Our Company	202420642554.0	Utility Model	The PRC	April 1, 2024	April 1, 2034
59.	Silicon carbide epitaxial growth support device (碳化硅外延生長承載裝置)	Our Company	202420642548.5	Utility Model	The PRC	April 1, 2024	April 1, 2034
60.	Structure, method and device of step-style silicon carbide trench field stop (一種台階式SiC溝槽場限環終端結構、製備方法及其器件)	Southern Semiconductor	202011034646.3	Invention	The PRC	September 27, 2020	September 27, 2040
61.	A digital synchronous rectification control method and digital signal processor (數位同步整流控制方法及數位信號處理器)	Southern Semiconductor	202011458643.2	Invention	The PRC	December 11, 2020	December 11, 2040
62.	A method and circuit for attaining boost mode and constant power control of soft-switching bidirectional DC-DC converters (軟開關雙向直流變換器的升壓模式恆功率控制方法及電路)	Southern Semiconductor	202010054157.8	Invention	The PRC	January 17, 2020	January 17, 2040
63.	A method and circuit for attaining boost mode and constant current control of soft-switching bidirectional DC-DC converters (軟開關雙向直流變換器的升壓模式恆電流控制方法及電路)	Southern Semiconductor	202010052980.5	Invention	The PRC	January 17, 2020	January 17, 2040

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
64.	A method and circuit for attaining boost mode and constant voltage control of soft-switching bidirectional DC-DC converters (軟開關雙向直流變換器的升壓模式恆電壓控制方法及電路)	Southern Semiconductor	202010052944.9	Invention	The PRC	January 17, 2020	January 17, 2040
65.	An operation power supply system and power electronic transformer system (操作電源系統及電力電子變壓器系統)	Southern Semiconductor	201911223450.6	Invention	The PRC	December 3, 2019	December 3, 2039
66.	A multi-channel voltage regulator circuit and electronic device (多路穩壓電源電路及電子設備)	Southern Semiconductor	201911105636.1	Invention	The PRC	November 13, 2019	November 13, 2039
67.	A multi-phase autotransformer and rectifier system (多相自耦變壓器及整流器系統)	Southern Semiconductor	202110153886.3	Invention	The PRC	February 4, 2021	February 4, 2041
68.	A multi-phase transformer and rectifier system (多相變壓器及整流器系統)	Southern Semiconductor	202110153893.3	Invention	The PRC	February 4, 2021	February 4, 2041
69.	A multi-phase transformer and rectifier system (多相變壓器及整流器系統)	Southern Semiconductor	202120318756.6	Utility Model	The PRC	February 4, 2021	February 4, 2031
70.	A multi-phase autotransformer and rectifier system (多相自耦變壓器及整流器系統)	Southern Semiconductor	202120317865.6	Utility Model	The PRC	February 4, 2021	February 4, 2031
71.	A power switch module test box (功率開關模塊測試箱)	Southern Semiconductor	202222825003.1	Utility Model	The PRC	October 25, 2022	October 25, 2032
72.	A power switch module test fixture (功率開關模塊測試工裝)	Southern Semiconductor	202222825005.0	Utility Model	The PRC	October 25, 2022	October 25, 2032
73.	A fixture for chip radiation testing (芯片輻照測試夾持裝置)	Southern Semiconductor	202223313585.1	Utility Model	The PRC	December 8, 2022	December 8, 2032

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
74.	A fixture for multi-layered power chip radiation resistance testing (疊層式功率芯片抗輻照測試夾持裝置)	Southern Semiconductor	202320510526.9	Utility Model	The PRC	March 15, 2023	March 15, 2033
75.	Power semiconductor device thermal resistance testing fixture (功率半導體器件熱阻測試工裝)	Southern Semiconductor	202420433956.X	Utility Model	The PRC	March 6, 2024	March 6, 2034
76.	A cleaning method for silicon-faced epitaxial silicon carbide wafers after film attachment (一種碳化硅外延晶片硅面貼膜後的清洗方法)	Our Company	202210598538.1	Invention	The PRC	May 30, 2022	May 30, 2042
77.	A structure of upper crescent-shaped graphite component for silicon carbide epitaxy (一種碳化硅外延用上半月石墨件結構)	Our Company	202323646488.9	Utility Model	The PRC	December 29, 2023	December 29, 2033
78.	A cleaning tool for the inner wall of the quartz bell jar in a horizontal gas flow SiC epitaxial equipment (一種水平氣流SiC外延設備石英鐘罩內壁清潔工具)	Our Company	202323646489.3	Utility Model	The PRC	December 29, 2023	December 29, 2033
79.	A sample holder for epitaxial growth on double-layer structure substrates (用於雙層結構生長襯底外延生長的樣品托)	Our Company	202310291640.1	Invention	The PRC	March 22, 2023	March 22, 2043
80.	A device for adhesive attachment pads (一種粘貼吸附墊的裝置)	Our Company	202420474937.1	Utility Model	The PRC	March 12, 2024	March 12, 2034
81.	A wafer testing probe (晶片測試探頭)	Our Company	202421073886.8	Utility Model	The PRC	May 17, 2024	May 17, 2034
82.	An auxiliary fixture for cleaning graphite components (一種石墨配件清潔輔助治具)	Our Company	202421122774.7	Utility Model	The PRC	May 22, 2024	May 22, 2034

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
83.	A feeding device for silicon carbide epitaxy growth with loading detection capability (一種具有上料檢測功能的碳化硅外延生長進料設備)	Our Company	202421122775.1	Utility Model	The PRC	May 22, 2024	May 22, 2034
84.	Maximum power point tracking control method, system, and photovoltaic power generation output device (最大功率點跟蹤控制方法、系統及光伏發電輸出裝置)	Southern Semiconductor	202310136197.0	Invention	The PRC	February 17, 2023	February 17, 2043

(ii) As at the Latest Practicable Date, we have applied for the registration of 50 patents and we set out below the details of those which we considered to be material to our business and are pending approval:

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
1.	A method for reducing background doping concentration in silicon carbide epitaxy (降低碳化硅外延背景摻雜濃度的方法)	Our Company	The PRC	Invention	202210503801.4	May 10, 2022
2.	A processing method for silicon carbide epitaxial wafers (碳化硅外延片的處理方法)	Our Company	The PRC	Invention	202210596257.2	May 27, 2022
3.	A method to prevent resin residue on the surface of silicon carbide epitaxial wafers during polishing (一種防止磨拋過程中碳化硅外延片表面膠質殘留的方法)	Our Company	The PRC	Invention	202210611254.1	May 31, 2022
4.	A method for removing epitaxial regrowth substrates from silicon carbide epitaxial wafers (碳化硅外延片去除外延再生襯底的方法)	Our Company	The PRC	Invention	202210617214.8	June 1, 2022

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
5.	A silicon carbide epitaxy growth tube system (碳化硅外延生長管路系統)	Our Company	The PRC	Invention	202210667129.2	June 14, 2022
6.	A pipeline supply system (管路供應系統)	Our Company	The PRC	Invention	202210668231.4	June 14, 2022
7.	A method for correcting warpage of silicon carbide epitaxial wafers (矯正碳化硅外延片翹曲度的方法)	Our Company	The PRC	Invention	202211693602.0	December 28, 2022
8.	A growth method to improve basal plane dislocations in silicon carbide epitaxial layers (一種改善碳化硅外延層基平面位錯的生長方法)	Our Company	The PRC	Invention	202211729418.7	December 30, 2022
9.	An efficient cleaning method for removing contamination from silicon carbide substrate wafers (一種高效去除碳化硅襯底晶片污染的清洗方法)	Our Company	The PRC	Invention	202310012004.0	January 5, 2023
10.	A cleaning method for removing metal residues from the surface of silicon carbide wafers (一種碳化硅晶片表面金屬殘留的清洗方法)	Our Company	The PRC	Invention	202310022126.8	January 7, 2023
11.	An epitaxial growth detection method (外延生長檢測方法)	Our Company	The PRC	Invention	202310291626.1	March 22, 2023
12.	A method for filling trenches in silicon carbide structures during epitaxy (一種溝槽結構碳化硅的外延填充方法)	Our Company	The PRC	Invention	202310283692.4	March 22, 2023
13.	An efficient cleaning method for silicon carbide epitaxial wafers after film application (一種高效碳化硅外延晶片硅面貼膜後的清洗方法)	Our Company	The PRC	Invention	202310328225.9	March 30, 2023
14.	A cleaning method and equipment for large-sized silicon carbide wax polishing substrates (一種用於大型碳化硅蠟拋襯底的清洗方法及設備)	Our Company	The PRC	Invention	202310415600.3	April 18, 2023
15.	A stress relief epitaxial growth device and method (應力消除外延生長裝置及外延生長方法)	Our Company	The PRC	Invention	202311866172.2	December 29, 2023

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
16.	A method for reducing thinning pattern in silicon carbide (一種減少減薄碳化硅紋路的方法)	Our Company	The PRC	Invention	202311857742.1	December 29, 2023
17.	A grinding device and system for graphite components (石墨配件磨光裝置及磨光系統)	Our Company	The PRC	Invention	202410116046.3	January 26, 2024
18.	A cleaning method for removing contamination after peeling off silicon carbide epitaxial wafers (一種去除碳化硅外延片揭膜後髒污的清洗方法)	Our Company	The PRC	Invention	202410280241.X	March 12, 2024
19.	A growth process for silicon carbide epitaxial wafers (碳化硅外延片的生長工藝)	Our Company	The PRC	Invention	202410373221.7	March 31, 2024
20.	A probe grinding and cleaning method (探頭磨光清潔方法)	Our Company	The PRC	Invention	202410609502.8	May 16, 2024
21.	A method and tray for improving warpage of silicon carbide epitaxial wafers (改善碳化硅外延片翹曲的方法及托盤)	Our Company	The PRC	Invention	202410653793.0	May 24, 2024
22.	An epitaxial layer growth method with porous surface structure (表面多孔結構的外延層生長方法)	Our Company	The PRC	Invention	202410663362.2	May 27, 2024

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
23.	A neural network-based maximum power point tracking method and system for photovoltaic modules (基於神經網絡的光伏模組最大功率點跟蹤方法及系統)	Southern Semiconductor	The PRC	Invention	2022113305996	October 25, 2022
24.	A testing method for power switch modules (功率開關模組測試方法)	Southern Semiconductor	The PRC	Invention	202211316165.0	October 25, 2022
25.	A design method and device for energy-saving motors (節能電機的設計方法及裝置)	Southern Semiconductor	The PRC	Invention	202310172698.4	February 17, 2023
26.	An auxiliary fixture for radiation resistance testing of silicon carbide power chips (碳化硅功率芯片抗輻照測試輔助夾具)	Southern Semiconductor	The PRC	Invention	202211743028.5	December 30, 2022
27.	A thermal resistance testing system and method for power semiconductor devices (功率半導體器件熱阻測試系統及方法)	Southern Semiconductor	The PRC	Invention	202410253817.3	March 6, 2024

(c) Software copyrights

As at the Latest Practicable Date, our Group was the registered owner of the following software copyrights in the PRC which we considered to be material to our business:

No.	Software Name	Registered Owner	Registration Number	Date of Registration
1.	Real-time control software for medium and small variable-speed constant-frequency brushless doubly-fed generators (中小型變速恆頻無刷雙饋發電機實時控制軟件)	Dongguan South Semiconductor Technology Co., Ltd	2020SR1027055	September 2, 2020

(d) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which we considered to be material to our business:

No.	Domain name	Registered Owner	Expiration Date
1.	sicty.com	Our Company	December 7, 2030
2.	cwbg-nf.com	Southern Semiconductor	September 29, 2029

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Particulars of Directors' and Supervisors' Contracts

Each of our Directors and Supervisors has entered into a service contract or a letter of appointment with our Company. The service contracts or letters of appointment may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract or a letter of appointment with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors and Supervisors

For details of the remuneration or benefits in kind paid to our Directors and Supervisors during the Track Record Period, please refer to the section headed "Directors, Supervisors and Senior Management" and Note 8 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, no fees were paid by our Group to any of our Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office, and there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments.

D. DISCLOSURE OF INTERESTS

1. Disclosure of Interests of Directors, Supervisors and Chief Executive of our Company

Immediately following the completion of the Global Offering, the interest and/or short position (as applicable) of our Directors, Supervisors and chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are listed, will be as follows:

				Shares held as at the Latest Practicable Date and immediately prior to the Global Offering(1)		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)(1)		
Name of Director, Supervisor or chief executive of our Company	Position	Nature of Interest	Description of Shares	Number	Approximate percentage of interest in our Company	Number	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)(2)	Approximate percentage of interest in our Company(2)
Mr. Li(3)&(4)	Chairman, executive Director and general manager	Beneficial Interest	Unlisted Shares	105,517,013 (L)	29.0522%	105,517,013 (L)	31.5656%	26.8308%
			H Shares	Nil	—	Nil	—	—
		Interest in controlled corporation(3)	Unlisted Shares	40,310,259 (L)	11.0987%	40,310,259 (L)	12.0589%	10.2501%
			H Shares	Nil	—	Nil	—	—
		Interest of concert parties(4)	Unlisted Shares	66,126,373 (L)	18.2067%	66,126,373 (L)	19.7818%	16.8146%
			H Shares	Nil	—	Nil	—	—
Mr. Au Yeung(4)	Non-executive Director	Beneficial Interest	Unlisted Shares	66,126,373 (L)	18.2067%	66,126,373 (L)	19.7818%	16.8146%
			H Shares	Nil	—	Nil	—	—
		Interest of concert parties(4)	Unlisted Shares	145,827,272 (L)	40.1509%	145,827,272 (L)	43.6245%	37.0808%
			H Shares	Nil	—	Nil	—	—
Mr. Zhuang Shuguang	Chairman of our Supervisory Committee, shareholder representative Supervisor	Beneficial Interest	Unlisted Shares	28,139,493 (L)	7.7477%	28,139,493 (L)	8.4180%	7.1553%
			H Shares	Nil	—	Nil	—	—
Mr. Yuan Yi	Shareholder representative Supervisor	Beneficial Interest	Unlisted Shares	14,057,580 (L)	3.8705%	14,057,580 (L)	4.2054%	3.5746%
			H Shares	Nil	—	Nil	—	—

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. The calculation is based on the total number of 334,278,085 Unlisted Shares and 58,990,426 H Shares in issue upon Listing comprising (i) an aggregate of 28,919,926 H Shares to be converted from the Unlisted Shares and (ii) 30,070,500 H Shares to be issued pursuant to the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

3. As at the Latest Practicable Date, each of Dinghong Investment, Runsheng Investment and Wanghe Investment was interested in 20,274,440 Unlisted Shares, 11,585,291 Unlisted Shares and 8,450,528 Unlisted Shares, respectively. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment, as ESOP Platforms, is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su, the spouse of Mr. Li. The limited partner of each of Dinghong Investment, Runsheng Investment and Wanghe Investment who contributed more than one third of the capital to the limited partnership is Mr. Li, who held 34.75%, 39.94% and 42.62% of the partnership interest in Dinghong Investment, Runsheng Investment and Wanghe Investment, respectively. Accordingly, Mr. Li is deemed to be interested in the Unlisted Shares held by Dinghong Investment, Runsheng Investment and Wanghe Investment under the SFO.

4. Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that they shall act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li. For details, see "History, Development and Corporate Structure — Corporate Development — Our Company — Concert Party Arrangement" in this prospectus. As such, each of the Concert Parties (i.e. Mr. Li and Mr. Au Yeung) is deemed to be interested in the Shares each other is interested in.

2. Disclosure of Interests of Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors are not aware of any person (other than our Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

3. Disclaimers

Save as disclosed in the sections headed "Business" and "Substantial Shareholders" in this prospectus and the paragraphs headed "C. Further Information about our Directors and Supervisors" and "D. Disclosure of Interests" in this section:

(a) none of our Directors or chief executive has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business; and

(d) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

E. EMPLOYEE INCENTIVE SCHEME

We have adopted the Employee Incentive Scheme on January 22, 2022. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of Shares or the grant of options by our Company to subscribe for the Shares after the Listing. Given the underlying Shares under the Employee Incentive Scheme have already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the Employee Incentive Scheme.

(a) Purpose

The purpose of the Employee Incentive Scheme is to incentivize the Participants to service long-term and work towards enhancing the value of our Company and cultivates a sense of long-term shared interests between our Shareholders and our management team.

(b) Participants

The participants (the "**Participants**") of the Employee Incentive Scheme include the directors, senior management, core technical personnel and service backbones of our Company or its subsidiaries, and other persons with material impact on our Company's operating performance and future development of whom our Company considers appropriate (except for the independent non-executive Directors).

(c) Administration

Our Board was authorized to manage the Employee Incentive Scheme, including, but not limited to, formulating and amending implementation documents of the Employee Incentive Scheme, and choosing the appropriate administrator of the ESOP Platforms. The administrator of ESOP Platforms was authorized to manage the daily operation of the platforms, including among others, managing, maintaining and distributing assets of the platforms. Tianyu Gongchuang, the executive partner of the ESOP Platforms, acts as the administrator of the ESOP Platforms.

(d) Granting of Incentive Awards

We have established three ESOP Platforms, namely Dinghong Investment, Runsheng Investment and Wanghe Investment, to implement the Employee Incentive Scheme. For details of our ESOP Platforms, please refer to "History, Development and Corporate Structure — Our ESOP Platforms" in this prospectus. As of the Latest Practicable Date, our ESOP Platforms held in aggregate 40,310,259 Shares, representing approximately 11.10% of the share capital of our Company, among which, approximately 13,926,512 Shares held by Dinghong Investment, 9,986,521 Shares held by Runsheng Investment and 8,044,057 Shares held by Wanghe Investment correspond to the partnership interests held by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang Shuguang, Mr. Yuan Yi and Tianyu Gongchuang as initial investors of the ESOP Platforms, respectively, which are not counted as those Shares fall within the Incentive Awards granted to Participants under the Employee Incentive Scheme. On the other hand, 8,353,169 Shares (representing 2.3000% of the share capital of the Company) refer to the Shares granted to the Participants as Incentive Awards. For details, please refer to "— E. EMPLOYEE INCENTIVE SCHEME — (f) Details of the Incentive Awards Granted under the Employee Incentive Scheme" below in this section.

The Participants subscribe for limited partnership interests from the ESOP Platforms (the "**Incentive Awards**"), thereby indirectly holding the Shares in our Company by virtue of their capacity as limited partners of the relevant ESOP Platform. Incentive Awards would be granted to the Participants upon timely contribution of their full subscription price to the respective ESOP Platforms and where relevant written confirmation had been obtained from the administrator of the ESOP Platforms.

(e) Redemption of the Incentive Awards

After our Company is listed, where the Participant's employment relationship with our Company terminates without misconduct, the relevant Participant may transfer his/her partnership interests in the ESOP Platforms to the administrator of the ESOP Platforms or a third party designated by the administrator at the actual subscription price plus certain interest calculated pursuant to the Employee Incentive Scheme.

(f) Details of the Incentive Awards Granted under the Employee Incentive Scheme

As of the Latest Practicable Date, Incentive Awards corresponding to a total of approximately 8,353,169 Shares, representing approximately 2.3000% of our total issued Shares, have been granted to 95 Participants under the Employee Incentive Scheme. Save for the above, no further partnership interest had been awarded under the Employee Incentive Scheme and no further partnership interest will be awarded thereunder on or after the Listing.

Details of the Incentive Awards granted to Directors, Supervisors and senior management of our Company under the Employee Incentive Scheme as of the Latest Practicable Date are set out below:

Name	Position	Relevant ESOP Interests of the ESOP Platforms	Approximate Partnership Interests of the ESOP Platforms	Approximate Number of Shares Corresponding to the Incentive Awards Held by the Participant	Approximate Shareholding Percentage Corresponding to the Incentive Awards Held by the Participant in the Total Number of Shares in Issue Immediately Prior to the Global Offering	Approximate Shareholding Percentage Corresponding to the Incentive Awards held by the Participant in the Total Number of Shares in Issue Immediately after the Global Offering (assuming the Over-allotment Option is not exercised)
Directors, Supervisors, Senior Management						
Mr. Peng Guanghui	Chief financial officer	Dinghong Investment	3.6399%	737,969	0.2032%	0.1877%
Ms. Li Yongmei	Deputy general manager	Dinghong Investment	4.5894%	930,475	0.2562%	0.2366%
Mr. Li Zhuoxing	Board secretary and joint company secretary	Dinghong Investment	1.6617%	336,900	0.0928%	0.0857%
Ms. Yin Xuefang	Employee representative Supervisor	Wanghe Investment	1.5187%	128,338	0.0353%	0.0326%
Mr. Han Jingrui	Deputy general manager and the head of R&D department	Dinghong Investment	5.5389%	1,122,980	0.3092%	0.2856%
Others						
90 employees	/	/	/	5,096,507	1.4032%	1.2959%

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, (i) the H Shares to be issued by us pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the H Shares to be converted from our Unlisted Shares.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of USD500,000 to act as the sponsor of our Company in connection with the proposed listing of H Shares on the Stock Exchange.

4. Preliminary Expenses

As of the Latest Practicable Date, our Company did not incur any material preliminary expenses.

5. Promoters

Information of our promoters as at the time of our Company's conversion into a joint stock company in November 2022 is set out in the section headed "History, Development and Corporate Structure — Corporate Development — Our Company — Joint stock reform in November 2022" in this prospectus.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DeHeng Law Offices (Shenzhen)	Legal advisers to our Company as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Hogan Lovells	Legal advisers to our Company as to International Sanctions law

7. Consents of experts

Each of the parties named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Taxation of Holders of H Shares

(a) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

(b) Consultation with Professional Advisers

Intending holders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasised that none of our Company, our Directors, Supervisors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. No Material Adverse Change

Our Directors believe that there has been no material adverse change in the financial or trading position since May 31, 2025 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

11. Miscellaneous

Save as disclosed in the sections headed "History, Development and Corporate Structure", "Business", "Financial Information" and "Underwriting" in this prospectus and the paragraph headed "A. Further Information about our Group" in this section:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

12. Bilingual Prospectus

The English Language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

(a) a certified copy of each of the material contracts referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus; and

(b) a copy of each of the written consents referred to in "F. Other Information — 7. Consents of experts" in Appendix VII to this prospectus.

DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sicty.com**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG in relation to unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the property valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus;

(e) 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;

(f) the industry report prepared by Frost & Sullivan;

(g) the material contracts referred to in the paragraph headed "B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus;

(h) the written consents referred to in the paragraph headed "F. Other Information — 7. Consents of Experts" in Appendix VII to this prospectus;

(i) the legal opinion issued by DeHeng Law Offices (Shenzhen) as to the laws of the PRC, in respect of certain general corporate matters and the property interests of our Group in the PRC;

(j) the legal memorandum issued by Hogan Lovells, our legal advisers as to International Sanctions law;

(k) the service contracts and letters of appointment referred to in the paragraph headed "C. Further Information about Our Directors and Supervisors — 1. Particulars of Directors' and Supervisors' Contracts" in Appendix VII to this prospectus;

(l) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures, together with unofficial English translations thereof; and

(m) the terms of the Employee Incentive Scheme.

TYSiC

廣東天域半導體股份有限公司

GUANGDONG TIANYU SEMICONDUCTOR CO., LTD.