

Ad hoc announcement pursuant to Art. 53 LR

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Sunwoda Electronic Co., Ltd.

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**Preplan for Issuing Shares to Specific Subscribers in
2023**

March 2023

Company Statement

I. The Company and all members of the Board of Directors guarantee the truthfulness, accuracy, and completeness of the information disclosed, and there are no false records, misleading statements or material omissions, and are severally and jointly responsible for the truthfulness, accuracy, and completeness of the contents herein.

II. The Plan is prepared in accordance with the provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for the Issuance and Registration of Securities by Listed Companies and so on.

III. The Company shall be solely responsible for any changes in its operations and earnings upon completion of the issue of shares to specific subscribers and listing on the GEM. Investors shall be solely responsible for any investment risks arising from the issue of shares to specific subscribers.

IV. The Plan is a statement by the Board of Directors of the Company on the issue of shares to specific subscribers and any statement to the contrary is a misrepresentation.

V. Investors shall consult their own stockbroker, lawyer, accountant, or other professional adviser if in doubt.

VI. The matters described in the Plan do not represent the substantive judgment, confirmation, approval, or endorsement of the approving authority in respect of the matters relating to the issue of shares to specified subscribers, and the effectiveness and completion of the matters relating to the issue of shares to specified subscribers as described in the Plan are subject to the examination and approval of the Shenzhen Stock Exchange and the consent of the China Securities Regulatory Commission (CSRC) for the registration.

Important Notice

Words or abbreviations stated in this section shall have the same meaning as those defined in the “Definitions” in the Plan.

1. The matters relating to the issue of shares to specific subscribers have been considered and approved at the 48th meeting of the Fifth Session of the Board of Directors of the Company and are subject to the consideration and approval of the General Meeting of the Company, the review and approval of the Shenzhen Stock Exchange and the decision of the CSRC to grant registration.

2. The issue of shares shall be made to not more than 35 (inclusive) specific subscribers, being securities investment fund management companies, securities companies, trust and investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors, and other domestic legal person investors and natural persons in accordance with the provisions of the CSRC. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and Renminbi qualified foreign institutional investors subscribing with more than two products under their management shall be considered as one subscriber; trust and investment companies as subscribers shall subscribe with their own funds only.

The final subscriber shall be determined by the Board of Directors in accordance with the authorization of the General Meeting after the Issue has passed the examination of the Shenzhen Stock Exchange and the decision of the CSRC to consent to the registration, and in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange, in consultation with the sponsor (lead underwriter) of the Issue based on the results of the competitive bidding. If there are new provisions in national laws and regulations on the specific subscribers of the share issuance, the Company shall make adjustments according to the new provisions. The shares shall be subscribed for in cash by all the subscribers.

3. The number of shares to be issued to specific subscribers shall not exceed 30% of the total share capital before the Issue, i.e., not more than 558,695,716 shares (inclusive). Within the above range, the final number of shares for issue shall be determined by the Board of Directors in consultation with the sponsor (lead underwriter) of the Issue based on the actual subscriptions after the application for the Issue has passed the scrutiny of the Shenzhen Stock Exchange and the decision of the CSRC to consent to the registration, as authorized by the General Meeting.

In the event of any ex-rights or ex-dividends events such as dividend, bonus issuance, and conversion of capital reserve into share capital during the period from the date of announcement of the resolution by the Board of Directors for the Issue to the issue date, the maximum number of shares to be issued to specific subscribers shall be adjusted accordingly.

4. The pricing benchmark date for the issue of shares to specific subscribers shall be the first day of the issue period, and the issue price shall not be less than 80% of the average trading price of the Company's shares for the twenty trading days prior to the pricing benchmark date (the average trading price of shares for the twenty trading days prior to the pricing benchmark date = total trading amount of shares for the twenty trading days prior to the pricing benchmark date / total trading volume of shares for the twenty trading days prior to the pricing benchmark date).

In the event of any ex-rights or ex-dividends events such as dividend, bonus issuance, and conversion of capital reserve into share capital during the period from the pricing benchmark date to the issue date, the issue price to specific subscribers shall be adjusted accordingly.

The final issue price shall be determined by the Board of Directors of the Company, within the authorization of the General Meeting, in consultation with the sponsor (lead underwriter) based on the enquiry, after the Shenzhen Stock Exchange has reviewed and approved the issue price and the CSRC has made a decision to consent to the registration.

5. The total proceeds to be raised from the issue of shares to specific subscribers shall not exceed RMB4,800 million (inclusive) and the net proceeds after the deduction of issue expenses are intended to be invested in the following projects:

Unit: RMB0'000

No.	Project name	Investment amount	Amount of proceeds
1	Sunwoda SiP system packaging project	220,315.00	203,120.00
2	High-performance consumer cylindrical lithium-ion battery project	198,712.00	135,760.00
3	Supplement to working capital	141,120.00	141,120.00
Total		560,147.00	480,000.00

If the actual net amount of proceeds after deducting the issue expenses is less than the proposed amount of proceeds to be invested in the investment projects, the Board of Directors of the Company may make appropriate adjustments to the order and amount of proceeds to be invested in the above projects according to the actual needs of the projects without changing the current investment projects, and the shortfall shall be met by the Company's self-financing funds.

6. Upon completion of the Issue, the shares subscribed by the subscribers shall not be transferable for a period of six months from the date of closing of the issue. Where laws, regulations, or normative documents provide otherwise for a lock-up period, the provisions thereof shall prevail.

7. The shares of the Company acquired by the subscribers shall also be subject to the aforesaid share lock-up arrangement if such shares are acquired in the form of bonus issuance, conversion of capital reserve into share capital, etc. The reduction of the shares of the Company acquired by the subscribers upon the expiry of the lock-up period shall be handled in accordance with the laws and regulations then in force and the rules of the Shenzhen Stock Exchange.

8. Upon completion of the Issue, the shareholding of the Company will be changed, but it will not constitute a major asset reorganization, nor will it result in a change in the controlling shareholders and the actual controller of the Company, nor will it result

in the shareholding distribution of the Company not being qualified for listing.

9. Pursuant to the "Notice on Further Implementation of Matters Relating to Cash Dividends for Listed Companies" (CSRC Issued [2012] No. 37) and the "Guideline No. 3 on Supervision of Listed Companies - Cash Dividends for Listed Companies (2022 Revision)" (CSRC Announcement [2022] No.3) issued by the CSRC, the Company has further improved its dividend distribution policy, formulated relevant provisions on profit distribution in the Articles of Association and developed the "Shareholder Return Plan for the Next Three Years (2023-2025)". Details of the Company's dividend policy and dividend distribution are set out in "Section V Profit Distribution Policy and Its Implementation".

10. The Company has analyzed the impact of the issue of shares to specific subscribers on the dilution of immediate returns and formulated specific measures to fill the diluted immediate returns in order to protect the interests of small and medium-sized investors in accordance with the "Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market" (State Council Issued [2014] No. 17), the "Opinions of the General Office of the State Council on Further Strengthening the Protection of the Lawful Rights and Interests of Small and Medium-sized Investors in the Capital Market" (General Office of the State Council Issued [2013] No. 110) and the "Guiding Opinions on Matters Relating to the Dilution of the Immediate Return on IPO, Refinancing and Major Asset Restructuring" (CSRC Announcement [2015] No. 31). For details, please refer to "Section VI Statement and Undertakings of the Board Regarding the Issue " in the Plan.

The Company reminds investors to pay attention to the fact that the Company's establishment of measures to fill the return in the Plan does not amount to a guarantee of the Company's future profits.

11. The accumulated undistributed profits prior to the issue to specific subscribers will be shared between the new and existing shareholders upon completion of the issue.

12. The resolution to issue shares to specific subscribers shall be valid for a period of 12 months from the date of consideration and approval at the General Meeting of the Company.

13. In particular, investors are reminded to read carefully the relevant contents of "Section III Discussion and Analysis by the Board of Directors on the Impact of the Issue on the Company" and "Section IV Statement on Risks Related to the Issue " of the Plan and pay attention to the investment risks.

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Definitions

In the Plan, unless the context otherwise requires, the following expressions shall have the following meanings:

Issuer, the Company, Company, Sunwoda	Sunwoda Electronic Co., Ltd.
the Issue, the issue to specific subscribers	the issue to specific subscribers by Sunwoda Electronic Co., Ltd. in 2023
The Plan	the plan for the issue to specific subscribers by Sunwoda Electronic Co., Ltd. in 2023
General Meeting	General meeting of Sunwoda Electronic Co., Ltd.
Board of Directors, Board	board of directors of Sunwoda Electronic Co., Ltd.
Board of Supervisors	board of supervisors of Sunwoda Electronic Co., Ltd.
Articles, Articles of Association	the articles of association of Sunwoda Electronic Co., Ltd.
lithium-ion battery module/lithium-ion battery	a secondary battery composed of lithium-ion cell, power management system, precision structural parts, and auxiliary materials; featuring high working voltage, high specific energy, and long cycle life compared with other secondary batteries;
lithium-ion cell/lithium battery cell	a type of cell that uses a transition metal oxide lithium-embedded material as the positive electrode and a lithium-embeddable carbon material as the negative electrode to store and release electrical energy by cycling lithium-ions between the positive and negative electrodes; lithium-ion cell serving as the "heart" of the lithium-ion battery module and providing the output power for the lithium-ion battery module
CSRC	China Securities Regulatory Commission
Shenzhen Stock Exchange	Shenzhen Stock Exchange
RMB, RMB'0,000	RMB, RMB'0,000
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Reporting Period, latest three years and one period	2019, 2020, 2021, and January to September 2022

Note: Any discrepancies between the total number and the sum of all values in the Plan are caused by rounding.

Section I Summary of the Plan for Issuing Shares to Specific Subscribers

I. Profile of the Issuer

Company name: Sunwoda Electronic Co., Ltd.

Stock exchange: Shenzhen Stock Exchange

Stock abbreviation: Sunwoda

Stock code: 300207.SZ

Legal representative: Wang Wei

Listing date: 21 April, 2011

Registered capital: RMB1,862,319,056

Company address: 1/F & 2/F (Zone A-B) & 2/F (Zone D) - 9/F, Complex Building,
No. 2 Yihe Road, Shilong Community, Shiyan Street, Baoan District, Shenzhen

Postal code: 518108

Tel.: 0755-27352064

Fax: 0755-29517735

Company website: www.sunwoda.com/

Email: sunwoda@sunwoda.com

Business scope: General business items: Software development and sales; laboratory testing and technical consulting services for lithium-ion battery, battery, and battery pack; establishment of industry (specific items shall be declared separately); domestic commerce, supplies, and marketing industry; import and export of goods and technology; general freight. (All the above items do not contain those requiring prior approval or prohibited by laws, administrative regulations, and the decisions of the State Council), licensed business items: research and development, manufacture and sales of batteries, chargers, instruments and meters, industrial equipment, automation equipment, and production lines; research and development, manufacture and sales of

electronic products; research and development, manufacture and sales of energy storage batteries and energy storage systems; research and development, production and sales of industrial protective supplies, labor protective supplies, etc.; research and development, production and sales of mobile base stations, communication equipment, and electronic stylus; research and development, production and sales of lithium-ion battery materials, high-performance film materials, and electrolyte materials; photovoltaic power generation equipment leasing; cooling services; power supply business; power generation business, power transmission business, power supply (distribution) business.

II. Background and purpose of issuing shares to specific subscribers

(I) Industry background of issuing shares to specific subscribers

1. The consumer electronics market enjoys vast potential, and the application scenarios of lithium batteries are constantly expanding

Lithium batteries are a type of batteries made of lithium metal or lithium alloy as positive/negative electrode material and using non-aqueous electrolyte solution, featuring small size, high working voltage, wide working temperature range, high safety, fast charging speed, and long cycle life. The consumer lithium battery market is available for smartphones, portable computers (including laptops and tablets), smart wear, smart home, power tools, etc. based on downstream products. The smartphone and portable computer market is mature and enjoys large size on the whole, promising stable development. With the ever-changing consumer demand under the new consumer trend and as the technologies such as IoT and VR/AR are becoming mature, the terminal market represented by smart wear and smart cleaning robots will usher in an important development opportunity, which will further drive the growth of the demand for consumer lithium battery market. According to statistics and forecasts by the CITIC Securities Research Department, the global consumer lithium battery demand was 95 GWh in 2022 and is expected to reach 125 GWh in 2025, with a CAGR of 9.5%. The global lithium market size amounted to RMB186 billion in 2022 and is expected to reach RMB251.4 billion in 2025, with a CAGR of 10.6%.

(1) Smartphones: high-end smartphone records robust performance, and folding screens driving replacement demand

Global smartphones have witnessed stable development in recent years, with global smartphone shipments of 1.193 billion units in 2022, brands focusing on the high-end market are more resilient than mid- and low-end manufacturers, and high-end mobile phones are more competitive in the market. As consumption power recovers, smartphone market demand is showing healthy growth. According to IDC forecasts, global smartphone shipments will reach 1.519 billion units in 2025. Among them, folding screen mobile phones are growing rapidly. As more mobile phone manufacturers are turning towards folding screen mobile phones, the industry chain is increasingly mature and prices getting stable. Folding screen mobile phone shipments will reach 27.60 million units in 2025, with a CAGR of 69.9% from 2020 to 2025. Folding screen phone prices are stabilizing and global shipments of folding screen phones are expected to grow approximately 52% year-on-year to 22.70 million units in 2023. In addition, as the performance of mobile phones continues to improve, there are higher requirements for power consumption and battery capacity, and the battery capacity of each mainstream manufacturer's series of mobile phones has seen a significant improvement. The growth in smartphone shipments and the higher requirement for battery performance will continue to drive the growth of the lithium battery market in the mobile phone sector.

(2) Portable computers: steady growth in shipments

With the continuous progress of tablet products, tablet computers are gradually becoming an important product for public entertainment, while tablet computer users have developed their habits, tablet computer shipments will continue to grow. According to Canalys forecasts, global laptop and tablet shipments will reach 288 million units and 182 million units respectively in 2025. End consumers are increasingly demanding the battery life of laptops, and the new models of mainstream series of laptops are using higher capacity batteries. The growth in shipments of laptops and tablets and the higher requirements for lithium battery performance will drive rapid growth in demand for lithium batteries.

(3) Smart hardware: high growth in emerging application markets

In addition to traditional consumer electronics applications such as smartphones and portable computers, the demand for smart hardware in various fields has been increasing with the continuous development of the electronic technology industry and the rising public consumption. Smart hardware is a new type of intelligent terminal product and service based on a platform underlying software and hardware, featuring a new generation of information technology such as intelligent sensing and interconnection, human-computer interaction, new display, and big data processing, and with new design, new materials, and new technology hardware as carriers. With the upgrading of technology, the improvement of related infrastructure, and more mature of the application service market, smart hardware extends from smartphones to smart wear, smart home, medical health, smart unmanned systems, etc. The market scale of smart hardware continues to grow rapidly. Taking smart headphones, smartwatches, and other wearable products as an example, the global shipments of smart wearable devices were 266 million units in 2020 and are expected to reach 776 million units by 2026, with a CAGR of 19.48%, according to Mordor Intelligence. The growth of smart hardware shipments will further drive the market demand for supporting lithium batteries.

2. SiP packaging has become the mainstream of industrial development along with the upgrade of downstream consumer electronics

With the rapid development of communication technology and the integrated circuit industry, consumer electronic product manufacturers are making more efforts in technological innovation and product development, and consumer electronic products are further developing towards highly integrated, functionally diversified and small and light, etc. Accelerating product iterations put forward higher requirements for the production process and process technology of upstream electronic component manufacturing service providers. This has pushed traditional packaging to advanced packaging.

The SiP (System In a Package) is a package solution that integrates multiple functional wafers, including processors, memories, and other functional wafers, into a single package depending on the application scenario, the number of layers of the package substrate and other factors, thus realizing an essentially complete function. As

an advanced packaging technology featuring small size, fast heat dissipation, and high reliability, SiP has a wide range of applications in consumer electronics/mobile devices, communications/infrastructure and other fields. Consumer electronics/mobile devices are the largest market segment for advanced packaging due to their high requirements for integration. According to Yole data forecast, the SiP market size will grow from USD14 billion in 2020 to USD19 billion in 2026, of which the consumer electronics SiP market size will grow from USD11.9 billion to USD15.7 billion in 2026, indicating that SiP has a broad application market and development prospects in the electronics field.

The development trend of consumer electronics has put forward higher requirements on the weight, volume, energy density, and safety performance of upstream lithium battery products to solve the problems of energy consumption and heat generation arising from a series of technological enhancements such as the expansion of RF bands, increased pixel density and enhanced processor performance. Lithium battery manufacturers need to further upgrade the production process. At present, the power management system using SiP system package has a high penetration rate in wearable devices, and the application penetration is accelerating in the power management system for smartphone lithium battery. SiP packaging is defining the mainstream of the industry development.

3. High-performance consumer cylindrical lithium-ion batteries have obvious advantages and great market potential in smart home and power tools

Depending on different packaging forms and shapes, consumer lithium-ion batteries come with three major categories: cylindrical lithium-ion batteries, square lithium-ion batteries, and polymer soft-pack lithium-ion batteries. Compared with other types of batteries, cylindrical lithium batteries enjoy the following advantages: (1) Cylindrical lithium batteries use the winding production process, which can improve the efficiency of cell production by accelerating the speed. The process is mature and features higher production efficiency, high yield rate, high product consistency, and effectively controlled PACK cost; (2) Due to the gap between the cylinders when sealing the pack, which creates a space for heat dissipation, cylindrical lithium batteries have better heat dissipation; (3) Cylindrical lithium batteries with low energy and high sealing, is unlikely to leak, enjoying prominent advantages in safety. At present, with

the increasing maturity of lithium battery technology and emerging demand of downstream consumer application markets, the application of high-performance consumer cylindrical lithium batteries presents a highly growing trend in the smart home and power tools market.

(1) Smart home: sweeping robots meet consumer demand and accelerate lithium penetration

Benefiting from relevant technological advances and the improvement of consumers' quality of life, the penetration rate of the smart home is rising. Smart home market includes smart speakers, smart cleaning tools, and many other applications. The application of products in the smart home scenario will bring significant incremental space for consumer lithium batteries. Among them, smart speakers are one of the segments growing first and fast. According to Counterpoint forecast, global smart speaker shipments will grow at a compound annual growth rate of 21% from 2020 to 2025. Diversified cleaning appliances, especially sweeping robots and floor scrubbers, with the advantages of "self-cleaning + rigid cleaning demand + free of labor" solve consumer pain points and are expected to evolve from optional consumer goods to necessities, promising vast market potential in the future. In addition, the maturity of digital technology has accelerated the application and popularization of cleaning robots, such as pool cleaning robots, which are important tools for underwater cleaning operations and have a promising market prospect. According to GIR (Global Info Research), the global pool cleaning robot market will reach USD1.233 billion by 2028 in terms of revenue, with a compound annual growth rate of 7.2% from 2022 to 2028.

(2) Power tools: cordlessness and lithium are defining the development trend

Traditional power tools using lead batteries suffer a poor operating range, are noisy and complex, and subject to a short life span. Even worse, they will produce a lot of toxic substances after disposal, seriously polluting the environment and giving consumers a poor experience. Smaller, lighter and cordless power tools are becoming trendy. Power tools using lithium-ion batteries enjoy the advantages of long service life, low failure rate, light weight, small size, high energy density, fast recharge, etc. In addition, the performance and user experience of power tools are constantly upgraded

to better meet the needs of consumers for lightness and intelligence, and consumers have gradually developed the habit of using power tools. Consumer habits, product performance improvement and lithium battery technology maturity together drive the high downstream market demand. Lithium tools production and penetration rate are significantly increased, promising vast potential for lithium battery market. According to EV Tank and China YiWei Institute of Economics, the global shipments of power tools and market size are expected to reach 510 million units and USD57.19 billion respectively in 2022, and the global shipments of power tools are expected to exceed 700 million units by 2026, with the market size rising above USD80 billion. Driven by the growth of the global power tool market, the global demand for lithium batteries for power tools is expected to exceed 4 billion units in 2026.

(II) Company background of issuing shares to specific subscribers

1. Having been deeply engaged in the lithium battery industry for years, the Company boasts industry-leading technical research and development strengths and has accumulated a large number of high-quality customer resources

Since its establishment, the Company has been engaged in the development and manufacturing of lithium-ion batteries and has developed into a leader in global consumer battery modules.

The company attaches great importance to technology development and accumulation and continues to invest and innovate in lithium battery modules, lithium battery materials and cells, BMS, and automated production, so as to further enhance the Company's independent innovation capability. After years of technical accumulation, the Company has strong technical strengths and provides customers with more excellent products and sound supporting services leveraging its continuous technological innovation. In recent years, the Company has seen increasing investment in research and development year by year, ranking at the forefront of the industry. From 2019 to 2021, the amount of the Company's R&D investment increased year by year to RMB1,523 million, RMB1,806 million, and RMB2,327 million respectively, and the ratio of R&D investment to operating revenue remained above 6% and continued to rise. The continuous and stable investment in research and development not only solidifies the Company's leading edge and position in the industry, but also provides a solid foundation for the Company's continuous and rapid development in the future.

After years of operation and development, the Company has accumulated a large number of quality customer resources and has gained a deep understanding and knowledge of customer needs. As the Company continues to expand its business areas on a large scale and product performance further improves, the Company sees market covering major regions nationwide and overseas. With its customer base expanding year by year, the Company has established long-term and stable relationships with leading consumer electronics manufacturers in the country and even the world. The Company has successfully entered the supply chain of many well-known domestic and foreign manufacturers in the field of consumer electronics. As a key partner of high-quality customers, the Company continues to strengthen the depth of cooperation and expand the breadth of cooperation between the two sides.

2. The Company sees expanding operating scale and strong working capital demand

With the rapid development of the consumer electronics industry and other industries, the lithium battery industry is embracing rapid development. In the face of strong market demand, the Company has fully grasped the historical opportunities to further promote technological innovation and accelerate production capacity construction, which will help consolidate its market position and enhance its market share. In 2019-2021, the Company's revenue grew from RMB25,241 million to RMB37,359 million and net profit attributable to shareholders of the parent company grew from RMB751 million to RMB916 million. The continued growth in the scale of operations has further maintained and consolidated the Company's dominant market position in the lithium battery industry.

Currently, the Company is embracing a strategic opportunity for rapid development. As one of the leading companies in the global lithium battery industry, the Company will seize the historical opportunity to continuously promote technological innovation, enhance organizational efficiency and accelerate production capacity construction. All these efforts will help improve the overall competitiveness of the Company on all fronts. Sufficient liquidity serves as an important guarantee for the Company's steady development. The Company urgently needs to further enhance

its capital strength to meet the continuous demand for working capital for business development.

(III) Purpose of issuing shares to specific subscribers

1. The Company follows the development trend of the industry by expanding its product presence, for the sake of consolidating its leading position in the industry

The global lithium-ion battery industry moves faster toward a new stage of market competition, with new technologies and products emerging one after another. The demand-oriented market promotes the further upgrading and adjustment of industrial structure, which brings huge development opportunities for the expansion of application fields and product structure. As a global leader in consumer battery modules, the Company has accumulated strong technological advantages and provided customers with better products and services relying on its continuous technological innovation. The Company's consumer battery module products enjoy profound technology accumulation and outstanding performance, and have thus been unanimously recognized by first-tier brand customers at home and abroad, helping the Company accumulate a large number of high-quality customer resources for terminal consumer electronics manufacturers, and also supporting the Company's intelligent hardware services.

Through the investment in the project "Sunwoda SiP system packaging project", the Company, guided by technology development trend and market demand, will continue to promote advanced packaging technology and product innovation for power management systems and explore new applications in collaboration with downstream consumer electronics customers. Meanwhile, the Company will seize the opportunity to upgrade the supply chain of customers and further provide customers with consumer lithium battery products featuring excellent performance and meeting the best use experience of end users.

Through the investment in the "high-performance consumer cylindrical lithium-ion battery project" construction investment, the Company will extend upstream to add production capacity of high-performance consumer cylindrical lithium-ion cells and complete the overall layout of all kinds of consumer lithium battery cells and PACK

business, such as consumer soft pack cells, consumer cylindrical cells. This will further improve the self-supply rate of the consumer cells and enhance the Company's profits.

The above investment projects are all focused on the Company's main business and rely on cooperation with downstream quality customers, which aligns with the Company's development strategy and industry development trend. Moreover, the Company is making every effort to broaden its business chain and the scope of cooperation with downstream customers, which secures the Company's future development and performance growth.

2. The Company optimizes the capital structure to enhance its anti-risk capability

In recent years, with the further expansion of its business scale, the Company has seen rising capital demand, coupled with a continuous increase in the Company's gearing ratio. As of the end of September 2022, the Company's gearing ratio was 77.07%. The Company intends to replenish its working capital with part of the proceeds through this issue of shares, which will be conducive to reducing the gearing ratio, optimizing the capital structure, and better meeting the daily capital turnover needs of the Company's production and operation. This will further improve the Company's anti-risk capability, financial security, and financial flexibility.

III. Subscribers and their relationship with the Company

(I) Subscribers

The Issue is targeted at not more than 35 specific subscribers who meet the conditions set by the CSRC, including securities investment fund management companies, securities companies, trust and investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors, and other legal persons, natural persons or other institutional investors who meet the requirements of laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and Renminbi qualified foreign institutional investors subscribing with more than two products under their management shall be considered as one subscriber; trust and investment companies as subscribers shall subscribe with their own funds only.

The final subscriber shall be determined by the Board of Directors of the Company and the sponsor (lead underwriter) within the authorization of the Shareholders Meeting in accordance with the relevant laws, administrative regulations, departmental rules, or normative documents and following the principles of price priority and amount priority based on the subscription quotations of the subscriber, after the Issue has passed the examination of the Shenzhen Stock Exchange and the consent of the CSRC to the registration.

If there are new provisions in national laws and regulations on the specific subscribers of the share issuance, the Company shall make adjustments according to the new provisions.

(II) Relationship between the subscriber and the Company

As at the date of announcement of the Plan, the subscribers of the Issue have not been finalized and therefore it is not possible to determine the relationship between the subscriber and the Company. The relationship between the subscriber and the Company will be disclosed in the offering report upon the completion of offering.

The listed company and its controlling shareholder, the actual controller, and major shareholder will not make any guaranteed return or disguised guaranteed return commitment to the subscribers, and will not provide financial assistance or compensation to the subscribers directly or through interested parties.

IV Summary of the Plan for issuing shares to specific subscribers

(I) Type and nominal value of shares to be issued

The shares to be issued to specific subscribers are domestically listed RMB ordinary shares (A shares) with a nominal value of RMB1.00 each.

(II) Issuance method and issuance time

The Company will issue shares to specific subscribers at an appropriate time within the validity period after approval by the Shenzhen Stock Exchange and a decision by the CSRC to grant registration.

(III) Pricing base date, issue price, and pricing principles

The pricing base date of the issue is the first day of the issue period and the issue price shall not be less than 80% of the average price of the company's shares traded in the 20 trading days prior to the pricing base date (average price of shares traded in the 20 trading days prior to the pricing base date = total amount of shares traded in the 20 trading days prior to the pricing base date / total amount of shares traded in the 20 trading days prior to the pricing base date).

In the event of any ex-rights or ex-dividends events such as dividend, bonus issuance, and conversion of capital reserve into share capital during the period from the pricing base date and the issue date, the issue price will be adjusted accordingly. The adjustment formula is as follows:

Dividend: $P1 = P0 - D$;

Bonus issuance or conversion of capital reserve into share capital: $P1 = P0 / (1 + N)$;

Both simultaneously: $P1 = (P0 - D) / (1 + N)$.

Where P0 stands for the Issue price before the adjustment; D is the amount of dividend per share; N means the number of bonus issuance or conversion of capital reserve into share capital; and P1 is the issue price after adjustment.

The final issue price shall be determined by the Board of Directors of the Company, within the authorization of the General Meeting, in consultation with the sponsor (lead underwriter) based on the enquiry, after the Shenzhen Stock Exchange has reviewed and approved the issue price and the CSRC has made a decision to consent to the registration.

If there are new provisions in the relevant laws, regulations, and normative documents on the pricing base date and issue price for the issue of shares to specific subscribers, the Board of Directors of the Company will make adjustments in accordance with the new provisions as authorized by the General Meeting.

(IV) Subscribers and subscription method

The Issue is targeted at not more than 35 specific subscribers who meet the conditions set by the CSRC, including securities investment fund management companies, securities companies, trust and investment companies, finance companies,

insurance institutional investors, qualified foreign institutional investors, and other legal persons, natural persons or other institutional investors who meet the requirements of laws and regulations. Securities investment fund management companies, securities companies, qualified foreign institutional investors, and Renminbi qualified foreign institutional investors subscribing with more than two products under their management shall be considered as one subscriber; trust and investment companies as subscribers shall subscribe with their own funds only.

The final subscriber shall be determined by the Board of Directors of the Company and the sponsor (lead underwriter) within the authorization of the General Meeting in accordance with the relevant laws, administrative regulations, departmental rules, or normative documents and following the principles of price priority based on the subscription quotations of the subscriber, after the Issue has passed the examination of the Shenzhen Stock Exchange and the consent of the CSRC to the registration.

All subscribers shall subscribe for the shares in the Issue in cash and at the same price.

(V) Number of shares to be issued

The number of shares to be issued shall be calculated by dividing the total proceeds by the issue price. The number of shares to be issued to specific subscribers shall not exceed 30% of the total share capital of the Company prior to the Issue, i.e., not more than 558,695,716 shares (inclusive). Within the above range, the final number of shares to be issued shall be determined by the Board of Directors in consultation with the sponsor (lead underwriter) of the Issue in accordance with the authorization of the General Meeting, after the Issue has been approved by the Shenzhen Stock Exchange and a decision on consent to registration has been made by the CSRC, based on the actual subscriptions.

In order to ensure that the Issue will not result in a change of control of the Company, the Issue will, subject to market conditions and the review by the Shenzhen Stock Exchange and registration with the CSRC, and subject to the relevant regulations of the CSRC and the Shenzhen Stock Exchange and the scope of authorization by the General Meeting, control the maximum number of shares to be subscribed by a single subscriber and its affiliated parties for the subscriptions participating in the bidding process and control the maximum number of shares to be subscribed by a single

subscriber and its affiliated parties plus the number of shares already held at the time of subscription.

In the event of any ex-rights or ex-dividends events such as dividend, bonus issuance, and conversion of capital reserve into share capital during the period from the date of announcement of the resolution by the Board of Directors for the Issue to the issue date, the maximum number of shares to be issued to specific subscribers shall be adjusted accordingly.

(VI) Lock-up period

The shares subscribed by the subscribers shall not be transferred within six months upon completion of the Issue. If the lock-up period is otherwise provided by applicable laws and regulations, those requirements shall be followed.

Shares acquired by the subscribers as a result of bonus issuance or conversion of capital reserve into share capital shall also be subject to the above share lock-up arrangement. Upon the expiry of the lock-up period, the relevant regulations of the CSRC and the Shenzhen Stock Exchange shall apply.

(VII) Listing place

The shares in this Issue will be listed and traded on the Shenzhen Stock Exchange.

(VIII) Arrangements for accumulated undistributed profits prior to the Issue

Upon completion of the Issue, the accumulated undistributed profits prior to the Issue will be shared between the new and existing shareholders.

(IX) Use of proceeds

The total proceeds to be raised from the issue of shares to specific subscribers shall not exceed RMB4,800 million (inclusive) and the net proceeds after deduction of issue expenses are intended to be invested in the following projects:

Unit: RMB0'000

No.	Project name	Investment amount	Amount of proceeds
1	Sunwoda SiP system packaging project	220,315.00	203,120.00
2	High-performance consumer cylindrical lithium-ion battery project	198,712.00	135,760.00

3	Supplement to working capital	141,120.00	141,120.00
Total		560,147.00	480,000.00

If the actual net amount of proceeds after deducting the issue expenses is less than the proposed amount of proceeds to be invested in the investment projects, the Board of Directors of the Company may make appropriate adjustments to the order and amount of proceeds to be invested in the above projects according to the actual needs of the projects without changing the current investment projects, and the shortfall shall be met by the Company's self-financing funds.

Prior to the availability of the proceeds, the Company will pay for the above projects with self-financing funds based on actual needs. After the availability of the proceeds, the Company will replace the funds with the proceeds.

(X) Validity of the resolution

The resolution for this Issue is valid for 12 months from the date of consideration and approval of the proposal to issue shares to specific subscribers at the General Meeting of the Company.

V. Whether this offering constitutes an affiliated transaction

As at the date of announcement of the Plan, the subscribers of the Issue have not been finalized and therefore it is not possible to determine the relationship between the subscriber and the Company. The relationship between the subscriber and the Company will be disclosed in the offering report upon the completion of offering.

VI. Whether this offering will cause any change to the control of the Company

As of the announcement date of the Plan, the actual controllers of the Company are Wang Mingwang and Wang Wei, with Wang Mingwang directly holding 361,779,557 shares of the Company, representing a 19.43% shareholding, and Wang Wei directly holding 132,446,600 shares of the Company, representing a 7.11% shareholding. Both Wang Mingwang and Wang Wei are founding shareholders of the Company and have been serving the Company. Wang Wei is currently the Chairman

and General Manager of the Company. The two persons have entered into a concerted action agreement and are parties acting in concert, with a combined shareholding of 26.54%. Wang Mingwang and Wang Wei jointly control the Company and are the controlling shareholders and the actual controllers of the Company.

The shareholder structure of the Company will change upon completion of the Issue to specific subscribers. Assuming that the final number of shares issued to specific subscribers is capped at 558,695,716 shares, upon completion of the Issue, the number of share capital held by Wang Mingwang and Wang Wei in aggregate will remain unchanged and the shareholding ratio will be reduced to 20.41%, with Wang Mingwang and Wang Wei remaining as the actual controllers of the Company.

At the same time, in order to ensure that the Issue will not result in a change of control of the Company, the Issue will, subject to market conditions and the review by the Shenzhen Stock Exchange and registration with the CSRC, and subject to the relevant regulations of the CSRC and the Shenzhen Stock Exchange and the scope of authorization by the General Meeting, control the maximum number of shares to be subscribed by a single subscriber and its affiliated parties for the subscriptions participating in the bidding process and control the maximum number of shares to be subscribed by a single subscriber and its affiliated parties plus the number of shares already held at the time of subscription. The Issue will not result in a change of control of the Company. The Issue to specific subscribers will not result in a change in the controlling shareholder and actual controller of the Company.

VII. Whether the Issue constitutes a major asset restructuring and whether it results in the distribution of the Company's shareholding not being eligible for listing

The Issue to specific subscribers does not constitute a major asset restructuring. Upon completion of the Issue, there is no shareholding distribution of the Company that does not meet the listing requirements.

VIII. Approval procedures for the Issue

The Issue to specific subscribers has been considered and approved at the 48th

meeting of the Fifth Session of the Board of Directors of the Company.

In accordance with the relevant laws and regulations, the Issue to specific subscribers is subject to the consideration and approval of the Company's General Meeting, the review and approval of the Shenzhen Stock Exchange and the consent of the CSRC for registration. After review and approval by the Shenzhen Stock Exchange and the consent of the CSRC for registration, the Company will implement the Issue in accordance with the law and apply to the Shenzhen Stock Exchange and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited for the issuance, registration and listing of shares and complete all the submission and approval procedures for the Issue to specific subscribers.

Section II Feasibility Analysis of the Board of Directors on Use of Proceeds

I. Overview of financing proceeds

The total proceeds to be raised from the issue of shares to specific subscribers shall not exceed RMB4,800 million (inclusive) and the net proceeds after deduction of issue expenses are intended to be invested in the following projects:

Unit: RMB 0'000

No.	Project name	Investment Amount	Amount of proceeds
1	Sunwoda SiP system packaging project	220,315.00	203,120.00
2	High-performance consumer cylindrical lithium-ion battery project	198,712.00	135,760.00
3	Supplement to working capital	141,120.00	141,120.00
Total		560,147.00	480,000.00

If the actual net amount of proceeds after deducting the issue expenses is less than the proposed amount of proceeds to be invested in the investment projects, the Board of Directors of the Company may make appropriate adjustments to the order and amount of proceeds to be invested in the above projects according to the actual needs of the projects without changing the current investment projects, and the shortfall shall be met by the Company's self-financing funds.

Prior to the availability of the proceeds, the Company will pay for the above projects with self-financing funds based on actual needs. After the availability of the proceeds, the Company will replace the funds with the proceeds.

II. Basics of investment projects using the proceeds from the Issue

(I) Sunwoda SiP system packaging project

1. Project overview

This project is to be implemented by Zhejiang Xinwei Electronic Technology Co., Ltd., an exclusively-owned subsidiary of the Company and involves a total investment of RMB2,203.15 million and a construction period of 3 years. It is intended to build the

packaging line and supporting facilities for the SiP system of power management system. After reaching the design capacity, this project will mainly be capable of turning out 110 million SiP system package of power management system annually.

Zhejiang Sunwoda Electronic Co., Ltd., a wholly-owned subsidiary of the Company, has signed a Project Investment Agreement with the People's Government of Lanxi City, Zhejiang Province on this project. Zhejiang Sunwoda Electronic Co., Ltd, plans to invest a total of RMB2.6 billion in the project (of which about RMB2.2 billion is for project construction and related input, and about RMB400 million is for daily operating capital after the project is completed) for research and development of SiP system package technology, packaging of battery module power management system, production and sales of consumer electronics SiP system packaging module and battery module. Zhejiang Sunwoda Electronic Co., Ltd. has established a wholly-owned project company, Zhejiang Xinwei Electronic Technology Co., Ltd., in Lanxi City, which is responsible for the construction, development and operation of the project.

2. Project investment estimate

This project involves a total investment of RMB2,203.15 million, of which RMB2,031.20 million will be covered by the proceeds. Below is the specific investment plan:

Unit: RMB 0'000

No.	Investment type	Investment Amount	Amount of proceeds
1	Construction investment	14,786.00	14,786.00
2	Equipment investment	188,334.00	188,334.00
3	Basic reserve fund	2,031.00	-
4	Initial working capital	15,164.00	-
Total		220,315.00	203,120.00

3. Expected economic benefit of this project

After completed and put in full production, the company will increase the capacity of the SiP system package of power management system and this project will create good economic benefits as expected.

4. Approvals involved in this project

The filing document and environmental impact assessment approval of this project

are ongoing.

(II) High-performance consumer cylindrical lithium-ion battery project

1. Project overview

This project is to be implemented by Zhejiang Xinli Energy Technology Co., Ltd., an exclusively-owned subsidiary of the Company, and involves a total investment of RMB1,987.12 million and a construction period of 3 years. This project will build the production line and supporting facilities for the high-performance consumer cylindrical lithium-ion battery and will be capable of turning out 310 million batteries annually after reaching the design capacity.

2. Project investment estimate

This project involves a total investment of RMB 1,987.12 million, of which RMB1,357.60 million will be covered by the proceeds. Below is the specific investment plan:

Unit: RMB 0'000

No.	Investment type	Investment Amount	Amount of proceeds
1	Construction investment	51,149.00	-
2	Equipment investment	135,760.00	135,760.00
3	Basic reserve fund	1,869.00	-
4	Initial working capital	9,934.00	-
Total		198,712.00	135,760.00

3. Expected economic benefit of this project

After completed and put in full production, the company will increase the capacity of the high-performance consumer cylindrical lithium-ion battery cells and this project will create good economic benefits as expected.

4. Approvals involved in this project

The filing document and environmental impact assessment approval of this project are ongoing.

(III) Supplement to working capital

The Company will use RMB1,411.20 million of the proceeds to supplement to the

working capital for the purposes of better satisfying the funding needs of future business development, reducing the operation risk, increasing the stability and adequacy of the working capital and enhancing the market competitiveness.

III. Necessity and Feasibility of Project Implementation

(I) Sunwoda SiP system packaging project

1. Necessity of project implementation

(1) Cater to the technical development trend of the industry and make the Company products more competitive

A consumer lithium battery substantially consists of a cell, a protection board, a precise structure, and auxiliary materials, where the protection board mainly works to serve as a safety protector and temperature protector and prevent overcharge and over-discharge. It is an indispensable part of the safe operation of the lithium-ion battery. This project will integrate the protection circuit of the lithium-ion battery by the advanced SiP system package in a miniature module that features a small size, high reliability and lower comprehensive manufacturing cost. It can be widely used for various handheld consumer electronic products that are sensitive to external appearance. It will follow the trend that consumer electronic products keep evolving towards a high level of integration, small size, and light weight.

Turning lighter and thinner, smartphones keep enhancing the demand for SiP system packaging. Now, high-end smartphones need to adopt the SiP component for WiFi, processor, fingerprint identification, pressure touch control, and other modules. Spotting the application demand in the terminal market, the Company will introduce the SiP system packaging technology to the power management module of the lithium-ion battery. This will be a move that will establish certain first-mover advantages, upgrade the product performance, seize the opportunity from the supply chain transfer of downstream high-end customers and cooperate with downstream customers with greater width and depth.

(2) Build the technical barrier, achieve additional results and extend to new business universes in the future

The Company attaches great importance to technology development and accumulation and continues to invest and innovate in lithium battery modules, lithium battery materials and cells and BMS to further enhance the Company's independent innovation capability. After years-long technical development, the Company has established a strong development and production capacity as well as a business scale in the power management system, lithium-ion battery module and other aspects.

As an advanced packaging technology, the SiP system boasts such advantages as miniature, light weight, high density, lower power consumption and function integration. Consumer electronics/mobile devices are the largest market segment for advanced packaging applications due to their high requirements for integration. The SiP system packaging has an extensive application market and development prospect in consumer electronics. The implementation of this SiP power management project will further enhance the product performance of consumer lithium battery modules, strengthen customer viscosity and bring new results. Moreover, this project will also lay a solid foundation for the Company to extend the SiP process to other product lines.

2. Feasibility of project implementation

(1) The Company attaches great importance to technology research and development and technology accumulation, which has laid the foundation for project implementation

In addition to the traditional packaging technology for the power management system, this project will focus on the research, development, production, and manufacturing of the power management system with the SiP system package, which requires the manufacturer to have high-precision production equipment, advanced process control, and mature R&D experience, thereby technically assuring the smooth project implementation.

As one of the first enterprises engaged in the production of lithium-ion battery modules in China, the Company has a group of executives and business backbones who

are experienced in the design and development of lithium-ion battery modules. The Company attaches great importance to technology development and accumulation and continues to invest and innovate in lithium battery modules, lithium battery materials and cells, BMS, automated production, new energy, new products, and new materials, so as to further enhance the Company's independent innovation capability.

To assure the implementation of this investment project, the Company has set up the Product Research & Development Project Department and the Process & Technology Department, whose major members come from lithium-ion battery design, manufacturing, semiconductor packaging, test and other fields and boast the rich experience in the research, development, production and application practices in related segments. Moreover, they have mastered the power management system for the SiP packaging, which has been verified and applied to smartphone products of some customers, and has laid the foundation for the smooth project implementation.

(2) The Company owns high-quality consumer electronics customers, who will utilize the project's capacity

Now, the lithium-ion battery segment of the Company serves world-leading brands and enlarges the customer group year by year. The Company has forged long-term and stable partnership with leading consumer electronics manufacturers in China and worldwide, and are deeply cooperating with top players in industries of smartphones, laptops, and smart hardware

The Company has established a good customer base and market reputation with consumer electronic terminal manufacturers. The SiP system for battery packaging manufactured by this project will be mainly used for consumer battery modules of the Company based on the capacity, and finally sold to current customers of the Company. The Company's customer base in the consumer electronics field will reasonably assure the capacity utilization of this project.

(II) High-performance consumer cylindrical lithium-ion battery project

1. Necessity of project implementation

(1) Grasp the development opportunity of the segment, and collaborate to serve downstream customers

In the major downstream application scenarios of consumer lithium batteries, the traditional 3C market is mature with a tremendous market potential and overall steady growth rate, and the emerging segments, such as smart home and power tools, feature a fast growth rate and enormous growth potential. With the cost and performance advantages, the consumer cylindrical lithium-ion battery well matches the battery demand of sweeping robots, power tools and other products and boasts the differentiated competitive advantages over square and soft-package lithium-ion batteries.

The Company has gained years-long experience in the technical research and development of consumer cylindrical lithium-ion battery module products and established good business relations with downstream smart home and power tool customers based on the consumer lithium-ion battery module, OEM manufacturing of smart device, and other operations.

This project will build a new production line for the consumer cylindrical lithium-ion battery and deliver integrated solutions covering the cell, module and OEM service to downstream customers. The implementation of this project will help the Company seize the fast-growth opportunity of these segments, propel the continuous revenue expansion and take a share in the fast-growing and prospecting segment of the lithium-ion battery industry.

(2) Refine the product lineup and further increase the self-supply ratio of cells

Now, the Company is capable of manufacturing lithium battery for mobile phones and digital products and the lithium battery for laptop computers. Based on the future development planning, the Company will scale up the investment in the consumer cylindrical lithium-ion battery cell in the context of the continuous development of the lithium-ion battery industry to further increase the self-supply ratio of consumer cells and be dedicated to refining the full industrial chain of various lithium-ion batteries while maintaining the current competitive advantages in the research, development and production of existing products.

The quality of the cell, which is one of the major components of the consumer lithium-ion battery, will directly determine the charge/discharge quality and volume of the battery and take approximately 50% of the battery cost. This project will build the capacity to turn out consumer cylindrical lithium-ion battery cells to fill the industrial

chain gap of the Company in the consumer cylindrical cell, establish the self-production and self-supply capacity, and help assure the stability and reliability of the raw material supply, process and quality of the Company's consumer cylindrical lithium battery products. Moreover, this project will enhance the overall self-supply ratio of the Company and further cement its leadership in the consumer lithium battery industry.

2. Feasibility of project implementation

(1) The Company has the technical foundation and customer base for the consumer cylindrical lithium battery

Now, the Company is capable of manufacturing the lithium battery for mobile phones and digital products and lithium battery for laptop computers. Also, the Company has gained a large quantity of common technologies and R&D experience in the research, development, and manufacturing of various consumer lithium-ion battery and power lithium-ion battery products. To secure the implementation of this investment project, the Company has set up the Consumer Cylindrical Battery Research Department, which specializes in the design and development of consumer-grade cylindrical cells. Related staff have abundant experience in the research, development and manufacturing of consumer cylindrical lithium batteries and will lay a technical foundation for the smooth implementation of this project.

Besides, the Company has established good business relations with leading downstream customers in the smart home, and power tool fields based on the consumer lithium-ion battery module and smart device operations. In the implementation of this project, the Company will cooperate with these customers in greater width and depth, which will create a mighty guarantee for the utilization of the new consumer cylindrical lithium-ion battery capacity of this project.

(2) Rich production and management experience will assure the smooth implementation of this project

The lithium-ion battery products of the Company are important to the safety, stability and usable life of terminal products of downstream customers, so they will strictly screen products in terms of product quality, technical level, production efficiency, after-sales service and other dimensions. When buying products, customers will usually opt for suppliers with good brand awareness and word of mouth in the

industry. Therefore, the rich production and management experience and the sound quality control system will be vitally important to the smooth implementation of this project.

To date, the Company has been certified to multiple management system standards, including the ISO9001 quality management system and the ISO14001 environmental management system. Moreover, the Company keeps in place integral management operation systems and has rich management experience. As to product quality control, the Company carries out the quality policy of “Customer Orientation, Outstanding Quality, Legal Compliance, Cost Efficiency, Environmental Protection, Participation by All and Continuous Improvement”, monitors the overall quality status, makes sure every process output is subject to the stringent quality control and delivers products and services with high and stable quality to customers. The Company will exert its production and management advantages, implement a strict quality control system and reinforce quality assurance and customer service to secure the smooth implementation of the investment project funded by the proceeds.

(III) Supplement to working capital

1. Necessity of project implementation

(1) Satisfy the working capital need derived from the continuous development of the Company

The continuous progress of the Company in market, production, research, development, human resources and other aspects has created higher working capital requirements for the Company. With a keen insight into the industry trend, the Company will use part of the proceeds to bolster the working capital in a move to seize the opportunity, capture more market opportunities and further develop the market. The Company will continuously scale up its research and development spending, build its independent innovation capacity and cement its comprehensive competitive strengths. In the future, the Company will also usher in high-level excellent technical engineers and earmark heavy funds for management, research, development, market and other aspects. The Company will use part of the proceeds to bolster the working capital to fund the continuous business development.

(2) Optimize the asset structure and improve the risk appetite

The Company will use the proceeds to bolster the working capital for the purposes of expanding the financial strengths, improving the risk appetite, financial safety level and financial flexibility, and providing mighty support for future development. Besides, this will also reduce the operation risk of the Company, increase the stability and adequacy of the working capital and enhance the market competitiveness.

2. Feasibility of project implementation

(1) The use of the proceeds from the Issue complies with the relevant laws and regulations

The use of the proceeds from the Issue complies with the relevant laws, regulations and policies, and it is feasible. After being paid in and used to bolster the working capital, the proceeds will improve the financial structure of the Company and reduce the financial risk.

(2) The user of the proceeds from the Issue keeps in place the compliant governance and sound internal control

The Company has established a modern enterprise system with a corporate governance structure as the core according to the governance standards of listed companies, and formed a relatively standard and compliant corporate governance system and perfect internal control procedures through continuous improvement and optimization.

The Company has also formulated the Proceeds Management Measures of Sunwoda Electronic Co., Ltd., which explicitly specifies the keeping, use, investment and supervision of the proceeds, in accordance with regulatory requirements. After the proceeds from the Issue are paid in, the Board of Directors of the Company will track the keeping and use of the proceeds to assure the compliant and rational use of the proceeds and prevent the risk related to the use of such proceeds.

IV. Impact of the Issue on the operation, management and financial position of the Company

(I) Impact on the production and operation of the Company

The “Sunwoda SiP system packaging project” funded by the proceeds is a new move the Company has taken to cater to the technical trend of the industry and echo the matching demand of customers. Based on the industrialized application of the system packaging technology, this project will satisfy the product demands of key accounts of the Company. Moreover, it will also help the Company consolidate the competitive strengths of its products, cement the existing cooperation with customers and further solidify its leadership in the consumer lithium battery field. The “high-performance consumer cylindrical lithium-ion battery project” funded by the proceeds is a strategic investment the Company will make based on the existing business portfolio and the encouraging development trend of downstream segments. The implementation of this project will power the consumer cylindrical lithium-ion battery line of the Company and enable the Company to fully seize the market opportunity. Meanwhile, this project will further refine the product family of the Company and enhance the risk appetite of the Company. The investment projects funded by the proceeds tally with the related industrial policies of China and the overall future development strategy of the Company and will help the Company enhance its core competitiveness and sustainability and safeguard the long-term interests of shareholders. After the investment projects funded by the proceeds are completed, the production and sales modes of the Company will not make material changes. The implementation of these projects will neither lead to horizontal competition nor deliver an adverse impact on the independence of the Company.

(II) Impact on the financial position

1. Impact on the financial position

After being paid in, the proceeds will expand the total assets and net assets of the Company and reduce the balance sheet ratio, which will help optimize the capital structure and reinforce the solvency and risk appetite of the Company.

2. Impact on profitability

After the proceeds are paid in, the returns on equity and earnings per share of the Company may fall, as it will take a certain time before the investment projects funded by the proceeds are completed, put into production and yield benefits. However, the

production of the investment projects and business expansion will further enhance the product capacity and market share of the Company and accordingly elevate the overall profit level and profitability of the Company.

Chapter 3 Discussion and Analysis of the Board of Directors on the Impact of the Issue on the Company

I. Changes caused by the Issue to the business and assets, articles of association, shareholding structure, senior management structure and revenue structure of the Company

(I) Changes to the business and assets of the Company after the Issue

After deducting the issuance expenses, the proceeds from the Issue to specific subscribers will be used to fund the “Sunwoda SiP system packaging project” and the “high-performance consumer cylindrical lithium-ion battery project” and bolster the working capital, all of which are centered on the current principal operations of the Company. After the Issue is completed, the principal operations of the Company will keep unchanged. Meanwhile, the Company will enlarge the capacity for the SiP system package power management system and high-performance consumer cylindrical lithium-ion batteries, increase the market share, consolidate the market status in the consumer lithium-ion battery field and upgrade the brand image and influence in the industry.

(II) Changes to the Articles of Association after the Issue

The share capital will increase after the Issue is completed, and the Company will modify the clauses related to the share capital in the Articles of Association based on the actual issuance status and complete the industrial and commercial change registration.

(III) Changes to the shareholding structure after the Issue

The Issue of not more than 558,695,716 shares (inclusive) to specific subscribers will increase the share capital of the Company after completion, and the shareholding ratios of the original shareholders who don't participate in the Issue will be diluted.

As of the announcement date of the Plan, the controlling shareholders and the actual controllers of the Company are Wang Mingwang and Wang Wei, who directly

hold a total of 494,226,157 shares in the Company, representing 26.54% of the Company's total share capital.

Assuming that the number of shares issued to specific subscribers is capped at 558,695,716 shares, upon completion of the Issue, the number of shares held by Wang Mingwang and Wang Wei in aggregate will remain unchanged and the shareholding ratio will be reduced to 20.41%, with Wang Mingwang and Wang Wei remaining as the actual controllers of the Company. At the same time, in order to ensure that the Issue will not result in a change of control of the Company, the Issue will, subject to market conditions and the review by the Shenzhen Stock Exchange and registration with the CSRC, and subject to the relevant regulations of the CSRC and the Shenzhen Stock Exchange and the scope of authorization by the General Meeting, control the maximum number of shares to be subscribed by a single subscriber and its affiliated parties for the subscriptions participating in the bidding process and control the maximum number of shares to be subscribed by a single subscriber and its affiliated parties plus the number of shares already held at the time of subscription. The Issue will not result in any change in the control of the Company.

(IV) Changes to the senior executives after the Issue

As of the announcement date of the Plan, the Company has no plan to adjust the senior executive structure. The Issue will not deliver a material impact on the senior executive structure. If the Company intends to adjust the senior management structure, it will perform the necessary legal procedures and information disclosure obligations in accordance with the relevant provisions.

(V) Changes to the business structure after the Issue

The Company is engaged in the research, development and manufacturing of lithium-ion batteries before the Issue, and its main products are lithium-ion battery cells and modules. After completing the Issue, the Company will continuously deepen its presence in various lithium-ion battery module segments, further expand the capacity and better satisfy the product demands from all market segments to further enhance the overall strengths, consolidate and elevate its industry status.

II. Changes to the financial status, profitability and cash flow of the Company after the Issue

(I) The impact of the Issue on the financial position of the Company

After completion, the Issue will enlarge the total assets and net assets of the Company, bolster the capital strength, reduce the overall balance sheet ratio and increase the current ratios and quick ratios. The Issue will help the Company optimize the capital structure, reduce the financial risk and stake future development.

(II) The impact of the Issue on profitability

The proceeds from the Issue to specific subscribers will be used to fund the “Sunwoda SiP system packaging project” and the “high-performance consumer cylindrical lithium-ion battery project” and bolster the working capital. It will take a certain time before the investment projects funded by the proceeds fully yield operating results, so the returns on equity earnings per share and other financial indicators of the Company will be temporarily impacted. However, after this project is completed and put into production, it will enhance the profitability and operating results of the Company.

(III) The impact of the Issue on the cash flow of the Company

After the Issue is completed, the availability of the proceeds will substantially increase the Company’s cash inflow from financing activities and effectively bolster the capital strengths. The Company’s cash outflow from investing activities will rise with the continuous expenditure on the investment projects funded by the proceeds. The Company’s cash outflow from operating activities will further rise after investment projects funded by the proceeds are completed and put into production. Additionally, the replenishment of the working capital can enhance the operating capacity of the Company, provide mighty funding support for the Company’s strategic development and help increase the cash flow from operating activities in the future.

III. Changes in the business relationship, management relationship, affiliated transactions and horizontal competition

between the Company, the controlling shareholder and its affiliates after the Issue is completed

No change will happen to the business relationship, management relationship, affiliated transactions or other aspects between the Company and the controlling shareholder and its affiliates. No horizontal competition exists between the Company, its controlling shareholders and their affiliates, and will arise from the Issue to specific subscribers.

IV. After the completion of the Issue, will the Company's capital and assets not be occupied by the controlling shareholder and its affiliates, or will the Company provide security for the controlling shareholder, the actual controllers and their affiliates?

As of the announcement date of the Plan, the Company's capital and assets have not been occupied by the controlling shareholder and its affiliates, and the Company has not provided security in a non-compliant manner for the controlling shareholder, the actual controllers and their affiliates. After the completion of the Issue, the Company's capital and assets will not be occupied by the controlling shareholder and its affiliates, nor the Company provides security for the controlling shareholder, the actual controller and its affiliates.

V. Is the debt structure of the Company reasonable? Is there any significant increase in liabilities (including contingent liabilities) after the Issue? Will the debt ratio become too low or unreasonable financial costs be incurred due to the Issue?

After the proceeds from the issue to specific subscribers are paid in, the simultaneous increase in total assets and net assets of the Company will further reduce the balance sheet ratio, enhance the solvency and optimize the financial position and asset structure. Moreover, they will also help the Company enhance the risk appetite and realize a long-term sustainable development.

Section 4 Statement on Risks Related to the Issue

I. The risk related to the fund-raising investment projects

(I) The risk that the new capacity may lay idle

The major investment projects funded by the proceeds are the “Sunwoda SiP system packaging project” and the “high-performance consumer cylindrical lithium-ion battery project”, a decision the Company has made after weighing up the needs to enlarge its system packaging capacity, accelerating the green consumer cylindrical lithium battery capacity building, satisfy the demand upgrade and consolidate the business relations with existing customers. It will take a certain period of time before these projects are completed and put into production. The Company may face the risk that the new capacity will lay idle if a material adverse change happens to the industrial policy, competitive landscape, market demand or reserve project, or if the Company suffers an inadequate market development capacity or the market demand growth rate falls short of expectation.

(II) The risk that the net profit may decline due to the depreciation of new assets

After the investment projects funded by the proceeds are completed, the fixed assets of the Company will remarkably enlarge and the depreciation amortization expenses of the Company will also rise. If the investment projects funded by the proceeds fail to reach the design capacity as scheduled or fail to achieve the expected profit level to offset the increased depreciation amortization expenses after the fixed asset increase after coming into production, the Company may face the risk of net profit reduction due to the increase in the depreciation amortization expenses.

(III) The risk related to the implementation of the investment projects funded by the proceeds

The Company has determined the investment projects funded by the proceeds based on the current industrial policy, market environment, technical development trend

and other factors. The Company has conducted a prudential and thorough feasibility study on the investment projects. However, the possible unpredictable factors in the implementation process of these projects such as the adverse change happening to the industrial policy and market environment, intensifying industry competition and material change at the technical level will lead to the failure or delay of these projects or render them incapable to yield expected benefits.

(IV) The risk related to the overdue delivery of the leased property for the investment projects

The property to be leased for the “high-performance consumer cylindrical lithium-ion battery project”, one of the investment projects funded by the proceeds, now remains in progress. The leaser has obtained the legitimate certificate of land use, Construction Land Planning License, Construction Project Planning License and Construction Project Implementation License, but the risk will still exist that the leased property will fail to meet the expectation for various reasons and can't be delivered on schedule, thereby making it incapable to smoothly implement the investment projects.

(V) The risk of diluting immediate return after the Issue

The arrival of the proceeds from the Issue will increase the share capital and net assets of the Company. However, it will take a certain period of time before the investment projects funded by the proceeds are completed and realize related benefits, which will make for the Company to increase the revenue and net profit at the same pace as the total share capital and owners' equity. For this reason, the returns on equity and earnings per share of the Company may decline to a certain degree. The investors are reminded to be alert of the risk that the Issue of shares to specific subscribers may dilute the immediate return.

(VI) The risk that the returns on equity may decline

After offering the shares to specific subscribers and raising the proceeds, the Company will have substantially higher net assets than those before the Issue. Yet, it will take a certain period of time before the investment projects funded by the proceeds

yield economic benefits after the investment and achieve the expected income level after construction, completion, acceptance, commissioning and new customer acquisition. Therefore, the Company may face the risk that the returns on equity will substantially decline in the issuing year. However, the returns on equity will rebound in the long term with the gradual commissioning and revenue realization of these projects.

II. Operation risks

(III) Operation and management risks

Currently, the Company remains in the fast growth phase with a year-on-year revenue increase. After implementing the investment projects funded by the proceeds, the Company will further enlarge the business scale and further integrate the principal operations in greater depth, which will pose higher requirements for the operation and management level. The Company may face corresponding operation and management risks, if the Company fails to adapt to the scale expansion with its operation, sales, quality management, risk control and other capabilities, or fails to synchronize the organizational mode and management system with the business development or fails to follow market changes in the strategic decision, development strategy direction and resource allocation mode.

(II) The risk of relative customer concentration

In the past three years and one reporting period, the top five customers have contributed 67.38%, 62.26%, 58.29% and 55.13% of the Company's revenues respectively. The Company's sales revenues from these customers take a relatively high proportion, mainly because most of these customers are renowned terminal device brands and manufacturers with a big market share. Now, the Company has established a long-term and stable strategic partnership with the aforesaid customers, which will provide a mighty stake in the operating results. The Company will suffer an adverse business impact if the key accounts reduce product orders with the Company due to their poor operation and the Company fails to recover the accounts receivable on schedule or the gross sales margin declines.

(III) Human resources risks

Benefiting from the rapid development of downstream markets and the industry, the Company anticipates a continuous swift growth rate and continuous scale expansion over the following years, which will continually increase the demand for management and technical staff. If corresponding management, technical and other staff fail to get in place in time, this will impact the future development pace of the Company, and the Company may face the risk of human resources inadequacy.

(IV) The risk of raw material price fluctuation

The prices of the raw materials and components for lithium-ion battery products are of a critical impact on the sales cost of the Company. The supply of major raw materials and components may fluctuate with multiple factors, including but not limited to the availability of resources in the raw material and component market, market demand, prospective speculation, market disturbance, shipping and transport cost, natural disaster, economic statuses in China and worldwide, and other factors. The Company has established a relatively sound raw material and component procurement management system, but the macroeconomic situation changes and emergencies may still deliver an adverse impact on the raw material supply and prices. The shortage or price hike of major raw materials and components or the failure to effectively implement the internal procurement management measures may render the Company incapable of procuring raw materials and components required for production in time or at a reasonable price, thereby delivering an adverse impact on the production and operation of the Company.

III. Financial risks

(I) Solvency risks

At the ends of various reporting periods, the Company recorded the current ratios of 0.93x, 0.99x, 1.10x, and 1.29x, the quick ratios of 0.67x, 0.72x, 0.78x, and 0.95x, and the consolidated balance sheet ratios of 74.59%, 76.70%, 67.75%, and 77.07%

respectively, indicating a high balance sheet ratio and a heavy financial expense burden. At the end of September 2022, the Company recorded an ending balance of short-term borrowings at RMB7,274,691,300 and an ending balance of non-current liabilities due within one year at RMB1,520,627,100, indicating the Company faces a certain pressure to repay the short-term debts. The Company has a good operating status, accessible indirect financing channels and good credit records. However, if the Company and related customers suffer a business fluctuation, and in particular, they are difficult to recover accounts receivable in the short term, the Company may incur a certain risk to repay short-term debts.

(II) Accounts receivable risks

At the end of the reporting periods, the Company recorded a big ending balance of accounts receivable, which took a high proportion of the total assets, affected by the characteristics of the settlement mode with customers, expansion of sales revenue and other factors. At the end of the reporting periods, the Company recorded the book values of accounts receivable at RMB5,103,567,600, RMB7,508,406,100, RMB8,551,739,800 and RMB12,525,223,400 respectively, representing 21.64%, 24.48%, 20.06% and 19.98% of total assets at the ends of the reporting periods respectively.

The absolute amount of accounts receivable may still tend to rise with the scale expansion of the Company. Now, the Company can normally recover the accounts receivable. However, if a change happens to the macroeconomic climate or the operating statuses of customers, the Company may face the risk that the accounts receivable will go source and make a bad debt loss.

(III) Exchange rate fluctuation risks

During the reporting periods, the export sales amounts of the Company came at RMB117,553,693, RMB14,509,708,700, RMB17,591,484,600 and RMB15,924,411,200 respectively, representing 46.57%, 48.87%, 47.09% and 43.53% of the revenues in respective periods respectively and indicating a high proportion. The

Company settles the export mainly in the US dollar, so the business operation is susceptible to the exchange rate fluctuation of the Renminbi to a certain extent. At the same time, the violent fluctuation of the INR/CNY exchange rate in 2020 has also brought a certain exchange rate loss to the Company. During the reporting periods, the Company recorded exchange gains and losses at RMB34,134,300, RMB119,277,600, RMB25,864,200 and -RMB12,534,400 respectively due to the exchange rate fluctuation. The exchange rate fluctuation is susceptible to multiple factors like the global economic trend, country relations and pandemics. Therefore, a material change in the foreign exchange policy of China or a broad fluctuation of the Renminbi exchange rate will also deliver a certain adverse impact on the Company's results.

(IV) The risk that the tax credit and government subsidy may not continue in the future

Any income tax credit and government subsidy accessible by the Company may be changed or terminated. The Company doesn't assure no change will happen to the tax credit available in China or any other jurisdiction. During the historical periods, the Company and several subsidiaries in China were accredited as the "High-technology Enterprise", so they gained a preferential business income tax rate of 15%. Any change to or termination of the preferential tax treatment will trigger an increase in the tax expenses or any other tax liabilities of the Company and may deliver an adverse impact on the operating results and financial position of the Company.

IV. Technical risks

(I) Product and technology update risks

The current products and technologies of the Company lead the industry in China, but the lifecycles of related products and technologies are shortened due to the fast update of electronic product technologies, long R&D cycle and fickle market demands. If the Company fails to maintain the technical innovation, or identify technical, product and market trends in time or accurately and realize the product and technology update, this will erode the existing competitive strengths and thus make the Company complete

the upgrade and iteration of technologies and products in time, and the existing technologies and products will risk being eliminated, thereby causing an adverse impact to the economic benefits and development prospect of the Company.

(II) Patent risks

The lithium-ion battery industry grows fast and keeps deepening the technical research and development in relation to the cell, power management system, module process and other aspects, and industry players have applied for many patents. In terms of technical sources, the Company relies on independent research and development and possesses outstanding technical innovation capacity. The Company has obtained the absolute majority of the technologies used by its products through independent research and development. Technologies tend to become the focus of research and development in the industry and derive many patents. So, industry players can't fully rule out the risk of infringing on third-party patents. Due to the fierce competition in the industry, the patent dispute has become a means of market competition, and the Company can't rule out patent disputes with rivals, which will risk the operating results of the Company.

(III) The risk that research and development results fall short of expectation

Rapid changes in the lithium-ion battery industry and the appearance of new materials may pose higher requirements for the product research and development of the Company, and the Company doesn't make sure it will successfully respond to such technical changes and ever-change industrial standards as usual. New materials, products or technologies may erode the competitive strengths of the Company's current products and services. Besides, the Company determines the direction of research and development based on the current forecast of future technology and product trends, but doesn't make sure that the forecast will tally with the actual change in the lithium-ion battery as a result of many uncertainties in technology, law and consumer preference. Therefore, even if the Company carries out the original research and development plan in an appropriate manner, the research and development activity may not yield expected results or achieve expected incomes, thereby affecting the Company's profitability.

V. Industry and Market Risks

(I) The risk of macro economy and industry fluctuation

The Company specializes in the research, development, design, production and sales of lithium-ion battery cells, modules and PACK, and the lithium-ion battery industry where the Company plays is closely related to the market demands from the downstream segments, such as consumer electronics, and therefore the industry in general keeps pace with macroeconomic development to some extent. Benefiting from the policy support of China, the lithium-ion battery industry and its downstream industries will grow quickly as before, but any significant macroeconomic fluctuations in the future, or significant adverse changes in the industry will deliver a significant impact on the industry and thus trigger a fluctuation of operating results to the Company.

(II) The risk of market competition

The Company is competitive in the consumer lithium-ion battery module sector, but the market competition will go even fiercer due to the entrance of newcomers in the module industry and consumer cell industry. In the future, the intensifying competition will affect to a certain extent on the industry players in maintaining their competitive statuses, acquiring customer orders and improving profitability. The Company may become less competitive and suffer the risk of profitability reduction, if we fail to explore business advantages amid the fierce market competition, refine our business portfolio and keep our products competitive, or fail to follow the product research, development and production support demands of customers or rivals initiate a significant price cut.

(III) The risk of trade conflict

The major export product of the Company is the lithium-ion battery module product for mobile phones and laptop computers, and the major customers are famous consumer electronics manufacturers inside and outside of China. At present, there is a certain degree of uncertainty in the development of international trade disputes, which

may lead to changes in the trade policies of the relevant countries. An adverse change in the international trade policies of the relevant countries may have certain adverse effects on the Company's operations and thus affect the Company's operating results.

VI. Other risks

(I) The risk related to the approval of the issue to specific subscribers

The issue to specific subscribers has been considered and approved by the Board of Directors of the Company, but has yet to be deliberated by the General Meeting, reviewed and adopted by Shenzhen Stock Exchange and registered with China Securities Regulatory Commission, but it is uncertain when to complete the review and registration and finalize the issuing time.

(II) The risk related to the pledged equity of the actual controller

As of the announcement date of the Plan, the actual controllers of the Issuer are Wang Mingwang and Wang Wei, who hold a total of 494,226,157 shares in the Company, representing 26.54% of the Company's total share capital. Wang Mingwang and Wang Wei have pledged a total of 119,480,000 shares, representing 24.18% of their shares in the Company and 6.42% of the Company's total share capital. If the stock price of the listed company falls to the closing line, or the controlling shareholders or actual controllers have to bolster the pledge or repurchase the shares for other reasons but they fail to bolster the collateral or repurchase the shares as required by the financing providers, the mandatory position closing by the financing providers may affect the control stability of the actual controllers of the listed company.

(III) The risk that the actual controllers may take a small shareholding ratio

As of the announcement date of the Plan, the actual controllers of the Issuer are Wang Mingwang and Wang Wei, who hold a total of 494,226,157 shares in the Company, representing 26.54% of the Company's total share capital, and they are the joint actual controllers of the Company. Assuming that the number of shares issued to specific subscribers is capped at 558,695,716 shares, upon completion of the Issue, the

number of shares held by Wang Mingwang and Wang Wei in aggregate will remain unchanged and the shareholding ratio will be reduced to 20.41%. If other shareholders bolster the position in the secondary market or third parties initiate an acquisition, the Company may face a transfer of control, thereby delivering an adverse impact on the operation, management and business development of the Company.

Section V Profit Distribution Policy of the Company and Its Implementation

I. Existing profit distribution policy of the Company

The existing profit distribution policy of the Company is in compliance with the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (CSRS Issued (2012) No. 37), Listed Company Regulation Guideline No.3 - Cash Dividend of Listed Companies (2022 Revision) (CSRC Announcement (2022) No.3) as well as other relevant laws and regulations. The specific provisions on the profit distribution policy in the existing Articles of Association of the Company (as of December 2022) are as follows:

(I) Principles of profit distribution

The Company implements a positive, sustained and stable profit distribution policy. The Company's profit distribution shall attach importance to the reasonable return on investment for investors and take into account the actual operating situation and sustainable development of the Company in the current year. The Board, the Board of Supervisors and the General Meeting shall fully consider the opinions of the independent directors, supervisors and minority shareholders in the decision-making and argumentation of profit distribution policy.

(II) Means of profit distribution

The Company may distribute profits in cash dividend, stock dividend, or in a combination of both cash dividend and stock dividend or by other means permitted by laws and regulations. Among these means, cash dividend has priority over stock dividend. Where cash dividend is feasible, the Company shall use cash dividend for

profit distribution. Distributing profits by way of stock dividends shall include true and reasonable factors such as growth of the Company and dilution of net assets per share.

(III) Conditions and proportions of profit distribution

1. If the Company's profits and accumulated undistributed profits are positive for the current year and has sufficient cash flow to ensure the continued operation and long-term development of the Company, and the Company does not have significant capital expenditure arrangements, the Company shall prioritize distribution of its profits by way of cash dividend, and any dividends distributed in cash shall not be less than 10% of the distributable profits realized by the Company of the current year. The profits that have accumulatively distributed in cash dividend in the last three years shall account for no less than 30% of the average annual distributable profits realized in the last three years. The specific percentage of dividends for each year shall be proposed by the Board based on the Company's annual profitability and future capital utilization plan. In principle, cash dividends are paid once a year, and the Company may pay interim cash dividends based on its profitability.

Significant capital expenditure arrangements means any of the following:

(1) The accumulated payments on the Company's proposed external investments, asset acquisition or equipment purchase in the next 12 months are not less than 30% of the net assets of the Company as at the end of the latest audited period and exceeds RMB30,000,000;

(2) The accumulated payments on the Company's proposed external investments, asset acquisition or equipment purchase in the next 12 months are not less than 20% of the net assets of the Company as at the end of the latest audited period;

(3) Any other circumstances required by the CSRC or the Shenzhen Stock Exchange.

2. Where the Company's business is in a sound condition, and the Board considers that the earnings per share and stock price of the Company does not reflect its share capital size and stock structure, the Company may distribute profit by way of stock dividend, provided that the above conditions for cash dividend percentage are fully satisfied. In determining the specific amount of profit distribution in the form of stocks, the Company shall fully take into account whether the total share capital after the

distribution of stock dividends is in line with the current operational scale, and pace of profit growth of the Company and consider its impact on future debt financing costs, so as to ensure that the profit distribution plan is in the interest of all shareholders as a whole in the long run.

3. The Board shall propose a differentiated cash dividend policy in accordance with the procedures as required by this Articles of Association, taking into full account of various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, and based on the following situations:

(1) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in profit distribution shall be at least 80% when the profit distribution is made;

(2) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in profit distribution shall be at least 40% when the profit distribution is made;

(3) If the Company is at the growth stage and has no significant capital expenditure arrangement, the proportion of cash dividends in profit distribution shall be at least 20% when the profit distribution is made;

If it is difficult to distinguish the development stage of the Company and there are major capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

The proportion of cash dividends in the profit distribution shall be the cash dividend divided by the sum of cash dividend and stock dividend.

(IV) Procedures to be performed for considering profit distribution

1. The profit distribution proposal shall be reviewed and approved by the Company's Board and the Board of Supervisors before it can be submitted to the General Meeting for deliberation. When the Board deliberates the profit distribution proposal, a majority of all directors must vote in favor of the proposal and more than one-half of the independent directors of the Company must vote in favor of the proposal.

When the Board of Supervisors deliberates the profit distribution proposal, a majority of all supervisors must vote in favor of the proposal.

2. Resolutions of the General Meeting on profit distribution plan shall be adopted by a majority of the voting rights held by the shareholders (including their proxies) attending the meeting. If the General Meeting considers a proposal for the issuance of stock dividends or the conversion of capital reserves to share capital, the proposal shall be approved by more than two-thirds of the voting rights held by the shareholders (including their proxies) attending the meeting. To vote for these proposals, the General Meeting shall make Internet voting accessible to shareholders.

3. When a resolution is made by the General Meeting on the profit distribution plan, the Board shall complete the dividend distribution in two months after the General Meeting.

(V) Before making profit distribution, the Company shall discuss and justify the profit distribution plan with the following decision-making procedures and mechanisms:

1. Before the publication of the periodic report, the Board of the Company shall discuss and justify the profit distribution proposal under the premise of fully considering the Company's ability of continuing operation, ensuring the funds required for production, operation and development, and attaching importance to the reasonable investment return to investors; and independent directors shall express clear opinions when making cash dividend plans.

2. Independent directors can collect views from minority shareholders to put forward the profit distribution proposal and directly propose to the Board for consideration.

3. When formulating a specific profit distribution proposal, the Board of the Company shall abide by the laws, regulations and the profit distribution policy stipulated in the Articles of Association; the profit distribution proposal shall explain the plan or principle for the use of the retained undistributed profits of the current year, and independent directors shall express independent opinions on the rationality of the profit distribution proposal.

4. The Board shall consider and announce the profit distribution proposal in the periodic report and submit it to the General Meeting for approval; if the Board does not

make a cash profit distribution proposal, it shall consult the independent directors and external supervisors and disclose the reasons in the periodic report, and the independent directors shall express their independent opinions in this regard.

5. The Board, the Board of Supervisors and the General Meeting shall fully consider the opinions of the independent directors, external supervisors and the public investors in the relevant decision making and justification.

(VI) Procedure for adjustment to profit distribution policy

1. If the Company needs to adjust the profit distribution policy due to material changes in external operating environment or its own operating conditions, the adjusted profit distribution policy shall not contravene the relevant requirements of the CSRC or the Shenzhen Stock Exchange.

“Material changes in external operating environment or its own operating conditions” refer to any of the following circumstances:

(1) The Company suffers losses due to significant changes in relevant laws, administrative regulations and industrial policies, instead of reasons of the Company;

(2) The Company suffers losses due to events of force majeure including earthquake, typhoon, flood, war, among others, which are unforeseeable, unavoidable or insurmountable and impose material adverse impact on production and operation of the Company;

(3) After the Company’s statutory common reserve is used for making up for previous year’s losses, the net profit of the Company in the year is still not enough to make up for previous years’ losses;

(4) Other circumstances stipulated by the CSRC or the Shenzhen Stock Exchange.

2. The Board shall fully consider the opinions of the independent directors, the Board of Supervisors and the public investors in adjusting the profit distribution policy. When the Board deliberates the adjustment of the profit distribution policy, a majority of all directors must vote in favor of the adjustment and more than one-half of the independent directors of the Company must vote in favor of the adjustment. When the Board of Supervisors deliberates the adjustment of the profit distribution policy, a majority of all supervisors must vote in favor of the adjustment.

3. The profit distribution policy adjustment shall be reviewed and approved by the Board and the Board of Supervisors respectively before it is submitted to the General Meeting for deliberation. The Company shall discuss the relevant matters in detail and explain reasons thereof in proposal of the General Meeting with the protection of shareholders' interests as the starting point. When the General Meeting deliberates on the profit distribution policy adjustment, it shall be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

(VII) Disclosure of profit distribution policy

The Company shall disclose in detail in the annual report the formulation and implementation of the cash dividend policy, and provide special explanations on the following matters:

1. Whether in compliance with the requirements of the Articles of Association and resolutions of the General Meetings;

2. Whether the criteria and payout ratio for dividend distribution are clear and definite;

3. Whether the relevant decision-making procedure and mechanism are complete;

4. Whether the independent directors have performed their duties and responsibilities and played their proper roles;

5. Whether minority shareholders are given opportunities to express their opinions and demands freely, and whether their legitimate rights and interests are adequately protected, etc.

Where the Company adjusts or changes its cash dividend distribution policy, it shall explain in details as to whether the conditions and procedures of such adjustments or changes are in compliance with relevant regulations and transparent.

(VIII) Formulation cycle of the shareholder return plan and adjustment mechanism

1. The Company shall develop a shareholder return plan on a three-year cycle. Based on the summarization of the implementation of the shareholder return plan in the previous three years, the Company shall determine whether the profit distribution policy and the shareholder return plan for the next three years need to be adjusted,

taking into full consideration the factors faced by the Company and the opinions of shareholders (especially minority shareholders), independent directors and supervisors.

2. In the event of force majeure such as war or natural disaster, or significant changes in the Company's external operating environment that causes a significant impact on the Company's production and operation, or significant changes in the Company's own operating conditions, or if the existing specific shareholder return plan affects the Company's sustainable operation, it is indeed necessary to adjust the shareholder return plan, the Company may reformulate the shareholder return plan in accordance with the basic principles of profit distribution determined in this article.

II. Profit distribution and use of undistributed profits of the Company in the last 3 years

(I) Profit distribution in the last 3 years

(II) Distribution by way of cash dividends in the last 3 years

Unit: RMB0'000

Year	Cash dividend amount (tax included)	Net profit attributable to shareholders of the listed company during the year of dividend distribution in the consolidated financial statements	Percentage in net profit attributable to shareholders of the listed company under the consolidated financial statements (%) for the current period
2019	31,084.18	75,096.59	41.39%
2020	11,024.85	80,195.54	13.75%
2021	12,032.70	91,565.41	13.14%
Average annual net profit attributable to shareholders of the listed company in the last 3 years			82,285.85
Percentage of the profits that have accumulatively been distributed in cash in the last three years in the average annual net profit attributable to shareholders of the listed company in the last three years			65.80%

Note 1: The year 2019 in the above table means the equity distribution in the year 2019, and so on;
 Note 2: The Company distributed a total of RMB310,841,800 dividends to shareholders in 2019, including cash dividends of RMB109,839,500; cash payment of RMB201,123,000 to execute the repurchase of public shares. According to Self-regulatory Guidelines for Listed Companies No. 9 of The Shenzhen Stock Exchange - Share Repurchase, the amount paid for share repurchase was treated as cash dividend.

The Company shall implement a sustained and stable profit distribution policy, and attach importance to the reasonable return on investment for investors. The Company shall formulate reasonable profit distribution plan for the next three years in accordance with the relevant provisions of the Company Law, relevant CSRC laws and regulations, and the Articles of Association, taking into full account of various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement.

(II) Use of the undistributed profits in the last 3 years

The undistributed profits retained by the Company were mainly used to invest in the production and operation of the Company, as well as productivity construction, business scale expansion and working capital replenishment pursuant to the Company's business planning, so as to promote the Company's sustainable development and ultimately to maximize shareholders' interests.

III. Shareholder return programme of the Company for the coming 3 years

In order to further improve and enhance the scientific, sustainable and stable dividend distribution decision-making and monitoring mechanism of Sunwoda Electronic Co., Ltd., uphold the long-term investment and reasonable investment principles, increase the transparency and operability of profit distribution policy, and actively guarantee the return to investors, the Board of the Company has, taking into account the actual operation and future development needs of the Company, formulated the Shareholder Dividend and Return Programme for the Coming Three Years (2023-2025) (hereinafter referred to as the "Programme") in accordance with the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (CSRC Issued (2012) No. 37) issued by China Securities Regulatory Commission (hereinafter referred to as "CSRC") , Listed Company Regulation Guideline No.3 - Cash Dividend of Listed Companies (CSRC Announcement (2022) No.3), the Articles of Association, and other relevant regulations. Details of the Programme are as follows:

(I) Factors taken into consideration in formulating the Programme by the Company

Focusing on long-term and sustainable development and attaching great importance to the reasonable return to investors, the Company has formulated a sustainable, stable and scientific return plan and mechanism, and set up systematic arrangements for profit distribution in order to ensure the continuity and stability of its profit distribution policy, taking into full account of various factors such as features of the industries where the Company operates, the actual situation of the Company's business development, development strategy, social capital costs, external financing environment, the Company's financial position, operating results and cash flow.

(II) Principles for formulating the shareholder return plan

The formulation of the Shareholder Dividend and Return Plan for the Coming Three Years (2023-2025) shall comply with the requirements of relevant laws and regulations and the Articles of Association on profit distribution, attach importance to reasonable investment returns to investors, take into account the interests of all shareholders and the Company as well as the Company's ability of continuing operations, and determine a reasonable profit distribution plan in compliance with the principles of attaching importance to reasonable investment returns to shareholders and taking into account the sustainable development of the Company, and accordingly formulate a plan for the implementation of the profit distribution policy for a certain period in order to maintain the continuity and stability of the Company's profit distribution policy.

(III) Details of the Programme

1. Principles of profit distribution

The Company implements a positive, sustained and stable profit distribution policy. The Company's profit distribution shall attach importance to the reasonable return on investment for investors and take into account the actual operating situation and sustainable development of the Company in the current year. The Board, the Board

of Supervisors and the General Meeting shall fully consider the opinions of the independent directors, supervisors and minority shareholders in the decision-making and argumentation of profit distribution policy.

2. Form of profit distribution

The Company may distribute profits in cash dividend, stock dividend, or in a combination of both cash dividend and stock dividend or by other means permitted by laws and regulations. Among these means, cash dividend has priority over stock dividend. Where a cash dividend is feasible, the Company shall use cash dividend for profit distribution. Distributing profits by way of stock dividend shall include true and reasonable factors such as growth of the Company and dilution of net assets per share.

3. Conditions and proportions of profit distribution

If the Company's profits and accumulated undistributed profits are positive for the current year and has sufficient cash flow to ensure the continued operation and long-term development of the Company, and the Company does not have significant capital expenditure arrangements, the Company shall prioritize distribution of its profits by way of cash dividend, and any dividends distributed in cash shall not be less than 10% of the distributable profits realized by the Company of the current year. The profits that have accumulatively distributed in cash dividend in the last three years shall account for no less than 30% of the average annual distributable profits realized in the last three years. The specific percentage of dividends for each year shall be proposed by the Board based on the Company's annual profitability and future capital utilization plan. In principle, cash dividends are paid once a year, and the Company may pay interim cash dividends based on its profitability.

Significant capital expenditure arrangements means any of the following:

(1) The accumulated payments on the Company's proposed external investments, asset acquisition or equipment purchase in the next 12 months are not less than 30% of the net assets of the Company as at the end of the latest audited period and exceeds RMB30,000,000;

(2) The accumulated payments on the Company's proposed external investments, asset acquisition or equipment purchase in the next 12 months are not less than 20% of the net assets of the Company as at the end of the latest audited period;

(3) Any other circumstances required by the CSRC or the Shenzhen Stock Exchange.

Where the Company's business is in a sound condition, and the Board considers that the earnings per share and stock price of the Company does not reflect its share capital size and stock structure, the Company may distribute profit by way of stock dividend, provided that the above conditions for cash dividend percentage are fully satisfied. In determining the specific amount of profit distribution in the form of stocks, the Company shall fully take into account whether the total share capital after the distribution of stock dividends is in line with the current operational scale, and pace of profit growth of the Company and consider its impact on future debt financing costs, so as to ensure that the profit distribution plan is in the interest of all shareholders as a whole in the long run.

The Board shall propose a differentiated cash dividend policy in accordance with the procedures as required by this Articles of Association, taking into full account of various factors such as features of the industries where the Company operates, the stage of development of the Company, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, and based on the following situations:

(1) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in profit distribution shall be at least 80% when the profit distribution is made;

(2) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in profit distribution shall be at least 40% when the profit distribution is made;

(3) If the Company is at the growth stage and has no significant capital expenditure arrangement, the proportion of cash dividends in profit distribution shall be at least 20% when the profit distribution is made;

If it is difficult to distinguish the development stage of the Company and there are major capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

The proportion of cash dividends in the profit distribution shall be the cash dividend divided by the sum of cash dividend and stock dividend.

4. Procedures to be performed for considering profit distribution

(1) The profit distribution proposal shall be reviewed and approved by the Company's Board and the Board of Supervisors before it can be submitted to the General Meeting for deliberation. When the Board deliberates the profit distribution proposal, a majority of all directors must vote in favor of the proposal and more than one-half of the independent directors of the Company must vote in favor of the proposal. When the Board of Supervisors deliberates the profit distribution proposal, a majority of all supervisors must vote in favor of the proposal.

(2) Resolutions of the General Meeting on profit distribution plan shall be adopted by a majority of the voting rights held by the shareholders (including their proxies) attending the meeting. If the General Meeting considers a proposal for the issuance of stock dividends or the conversion of capital reserves to share capital, the proposal shall be approved by more than two-thirds of the voting rights held by the shareholders (including their proxies) attending the meeting. To vote for these proposals, the General Meeting shall make Internet voting accessible to shareholders.

(3) When a resolution is made by the General Meeting on the profit distribution plan, the Board shall complete the dividend distribution in two months after the General Meeting.

5. Before making profit distribution, the Company shall discuss and justify the profit distribution plan with the following decision-making procedures and mechanisms:

(1) Before the publication of the periodic report, the Board of the Company shall study and demonstrate the profit distribution proposal under the premise of fully considering the Company's ability to continue operation, ensuring the funds required for production, operation and development, and attaching importance to the reasonable investment return to investors; and independent directors shall express clear opinions when making cash dividend plans.

(2) Independent directors can collect views from minority shareholders to put forward the profit distribution proposal and directly propose to the Board for consideration.

(3) When formulating a specific profit distribution proposal, the Board of the Company shall abide by the laws, regulations and the profit distribution policy stipulated in the Articles of Association; the profit distribution proposal shall explain the plan or principle for the use of the retained undistributed profits of the current year, and independent directors shall express independent opinions on the rationality of the profit distribution proposal.

(4) The Board shall consider and announce the profit distribution proposal in the periodic report and submit it to the General Meeting for approval; if the Board does not make a cash profit distribution proposal, it shall consult the independent directors and external supervisors and disclose the reasons in the periodic report, and the independent directors shall express their independent opinions in this regard.

(5) The Board, the Board of Supervisors and the General Meeting shall fully consider the opinions of the independent directors, external supervisors and the public investors in the relevant decision-making and justification.

6. Procedure for adjustment to profit distribution policy

If the Company needs to adjust the profit distribution policy due to material changes in external operating environment or its own operating conditions, the adjusted profit distribution policy shall not contravene the relevant requirements of the CSRC or the Shenzhen Stock Exchange.

“Material changes in external operating environment or its own operating conditions” refer to any of the following circumstances:

(1) The Company suffers losses due to significant changes in relevant laws, administrative regulations and industrial policies, instead of reasons of the Company;

(2) The Company suffers losses due to events of force majeure including earthquake, typhoon, flood, war, among others, which are unforeseeable, unavoidable or insurmountable and impose material adverse impact on production and operation of the Company;

(3) After the Company's statutory common reserve is used for making up for previous year's losses, the net profit of the Company in the year is still not enough to make up for previous years' losses;

(4) Other circumstances stipulated by the CSRC or the Shenzhen Stock Exchange.

The Board shall fully consider the opinions of the independent directors, the Board of Supervisors and the public investors in adjusting the profit distribution policy. When the Board deliberates the adjustment of the profit distribution policy, a majority of all directors must vote in favor of the adjustment and more than one-half of the independent directors of the Company must vote in favor of the adjustment. When the Board of Supervisors deliberates the adjustment of the profit distribution policy, a majority of all supervisors must vote in favor of the adjustment.

The profit distribution policy adjustment shall be reviewed and approved by the Board and the Board of Supervisors respectively before it is submitted to the General Meeting for deliberation. The Company shall discuss the relevant matters in detail and explain reasons thereof in proposal of the General Meeting with the protection of shareholders' interests as the starting point. When the General Meeting deliberates on the profit distribution policy adjustment, it shall be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

7. Disclosure of profit distribution policy

The Company shall disclose in detail in the annual report the formulation and implementation of the cash dividend policy, and provide special explanations on the following matters:

(1) Whether in compliance with the requirements of the Articles of Association and resolutions of the General Meetings;

(2) Whether the criteria and payout ratio for dividend distribution are clear and definite;

(3) Whether the relevant decision-making procedure and mechanism are complete;

(4) Whether the independent directors have performed their duties and responsibilities and played their proper roles;

(5) Whether minority shareholders are given opportunities to express their opinions and demands freely, and whether their legitimate rights and interests are adequately protected, etc.

Where the Company adjusts or changes its cash dividend distribution policy, it shall explain in details whether the conditions and procedures of such adjustments or changes are in compliance with relevant regulations and transparent.

8. Formulation cycle of the shareholder return plan and adjustment mechanism

The Company shall develop a shareholder return plan on a three-year cycle. Based on the summarization of the implementation of the shareholder return plan in the previous three years, the Company shall determine whether the profit distribution policy and the shareholder return plan for the next three years need to be adjusted, taking into full consideration the factors faced by the Company and the opinions of shareholders (especially minority shareholders), independent directors and supervisors.

In the event of force majeure such as war or natural disaster, or significant changes in the Company's external operating environment that causes a significant impact on the Company's production and operation, or significant changes in the Company's own operating conditions, or if the existing specific shareholder return plan affects the Company's sustainable operation, it is indeed necessary to adjust the shareholder return plan, the Company may reformulate the shareholder return plan in accordance with the basic principles of profit distribution determined in this article.

(IV) Any matters not stated in the Programme

Any matters not stated in the Programme shall be executed according to the relevant laws and regulations, normative documents and the Articles of Association. The Programme shall be interpreted by the Board, become effective from the date when it is approved by the General Meeting.

Section VI Statement and Undertakings of the Board Regarding the Issue

I. A statement made by the Board regarding any equity financing plans in the coming 12 months, other than the Issue

The Board of the Company will determine whether to arrange other equity financing plans than this plan of issuance to specific subscribers within the next twelve months in line with the Company's future development plans and industrial development trends and considering the Company's capital structure, financing needs and capital market development. If any equity financing arrangements is required by the business development and asset and liability conditions in the future, the Company will fulfill the relevant consideration procedures and information disclosure obligations in accordance with relevant laws and regulations.

II. Matters relevant to the dilutive impact of the Issue on the immediate return

(I) Impact of the Issue of shares to specific subscribers on the key financial indexes of the Company

1. Estimation assumptions and prerequisites

(1) It is assumed that the macroeconomic environment, industrial policies, industry development trend and the business operation of the Company will not have any material adverse change.

(2) It is assumed that the Issue of shares to specific subscribers will be completed in December 2023. The time is used for calculating the dilution influence of the Issuance on the immediate return. The actual time shall be the actual completion time of the Issue.

(3) It is assumed that 558,695,716 Shares will be issued to specific subscribers, taking no account of the impact of the issuance cost. The number of shares finally issued to specific subscribers and the actual amount of the proceeds received from the Issue

will depend on the approval by the relevant regulatory authorities, the issuance and subscription situations and the issuance cost.

(4) Estimation is made based on the total share capital of the Company as of the announcement date of the Plan (1,862,319,056 shares), only taking into account the impact of the Issue of shares to specific subscribers and taking no account the change in share capital caused by Subsequent repurchase and cancellation of restricted shares, profit distribution, capitalization of capital reserves or other factors.

(5) For the period from January 2022 to September 2022, the net profit attributable to shareholders of the parent company before and after the deduction of non-recurring gains and losses recorded by the Company was RMB687.5457 million and RMB483.5993 million respectively. The net profit attributable to shareholders of the parent company before and after deduction of non-recurring gains and losses recorded by the Company for the year 2022 was estimated with the annualized result data for the period from January 2022 to September 2022, i.e., RMB916.7276 million and RMB644.7991 million respectively.

The net profit attributable to shareholders of the parent company before and after deduction of non-recurring gains and losses recorded by the Company for the year 2023 is estimated in the following three situations: when compared with that of 2022, it (1) remains unchanged (2) increases by 25%; (3) increases by 50%. This assumption analysis does not constitute the profit forecast of the Company and shall not be relied on by the investors for making an investment decision. If the investors make investment decision based on this assumption analysis and suffer loss, the Company shall not be liable.

(6) The impact on the business operation and financial position of the Company (such as financial expense and investment income) when the proceeds from the Issue are available is not taken into account in the estimation;

The above assumptions are made only for estimating the impact of the dilution of immediate returns resulting from the Issue on the Company's key financial indexes, do not represent the Company's judgment on its operating conditions and trends in the future and do not constitute a profit forecast of the Company. The actual operation of the Company is subject to uncertainty due to various factors such as national policies and industry development. Investors shall not make investment decisions in reliance

thereon. If investors make investment decisions based on this assumption analysis and suffer loss, the Company shall not be liable for.

2. Impact on the key financial indexes of the Company

The impact of the Issue on the key financial indexes of the Company based on the above assumptions is comparatively shown below:

Item	2022/End of 2022	2023/End of 2023	
		Before the Issue	After the Issue
Total share capital (shares)	1,862,421,656	1,862,319,056	2,421,014,772
1. The net profit attributable to shareholders of the parent company before and after deduction of non-recurring gains and losses recorded by the Company for the year 2023 remains unchanged as compared to that for the year 2022.			
Net profit attributable to shareholders of the parent company (RMB'0,000)	91,672.76	91,672.76	91,672.76
Net profits attributable to shareholders of parent company after deduction of non-recurring gains and losses (RMB'0,000)	64,479.91	64,479.91	64,479.91
Basic earnings per share (RMB/share)	0.53	0.49	0.49
Diluted earnings per share (RMB/share)	0.53	0.49	0.49
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.37	0.35	0.35
Diluted earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.37	0.35	0.35
2. The net profit attributable to shareholders of the parent company before and after deduction of non-recurring gains and losses recorded by the Company for the year 2023 increases by 25% as compared to that for the year 2022.			
Net profit attributable to shareholders of the parent company (RMB'0,000)	91,672.76	114,590.96	114,590.96
Net profits attributable to shareholders of parent company after deduction of non-recurring gains and losses (RMB'0,000)	64,479.91	80,599.89	80,599.89

Item	2022/End of 2022	2023/End of 2023	
		Before the Issue	After the Issue
Basic earnings per share (RMB/share)	0.53	0.62	0.62
Diluted earnings per share (RMB/share)	0.53	0.62	0.62
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.37	0.43	0.43
Diluted earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.37	0.43	0.43
3. The net profit attributable to shareholders of the parent company before and after deduction of non-recurring gains and losses recorded by the Company for the year 2023 increases by 50% as compared to that for the year 2022.			
Net profit attributable to shareholders of the parent company (RMB'0,000)	91,672.76	137,509.15	137,509.15
Net profits attributable to shareholders of parent company after deduction of non-recurring gains and losses (RMB'0,000)	64,479.91	96,719.87	96,719.87
Basic earnings per share (RMB/share)	0.53	0.74	0.74
Diluted earnings per share (RMB/share)	0.53	0.74	0.74
Basic earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.37	0.52	0.52
Diluted earnings per share after deduction of non-recurring gains and losses (RMB/share)	0.37	0.52	0.52

Note: The indicators for earnings per share are calculated based on relevant requirements of the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 - Calculation and Disclosure of Rate of Return on Common Shareholders' Equity and Earnings Per Share.

Based on the above estimation, after completion of the Issue, the Company's share capital will increase accordingly, but since it takes a certain time for the proceeds to generate benefits, there is a risk of dilution of earnings per share and other indicators in the short term.

(II) Special risk alert on the dilutive impact of the Issue of shares to specific subscribers on the immediate return

After the proceeds from the Issue are available, the Company's share capital scale and net assets are expected to increase, and the use of proceeds and the relevant benefit generation from the proceeds will take a certain time. If the Company's operating efficiency is not improved in the short term, the basic and diluted earnings per share before and after deduction of non-recurring gains and losses will decline to a certain extent in the short term in the event of an increase in share capital.

The investors are reminded to be alert of the risk that the Issue of shares to specific subscribers may dilute the immediate return. The Company will disclose the completion status of the mitigation and remediation measures and the performance of the commitments by the relevant undertakers in the periodic reports.

(III) Necessity and rationality of the Issue of shares to specific subscribers

For the necessity and rationality of the Issue, please refer to Section II Feasibility Analysis of the Board of Directors on Use of Proceeds.

(IV) The relation between the projects funded by the proceeds raised and the existing business of the Company, as well as the reserves of the Company in human resources, technologies and markets for such projects

1. Relation between the projects funded by the proceeds raised and the existing business

The Company is engaged in the research and development and manufacturing of lithium-ion batteries, and its main products are lithium-ion battery cells and modules. The total amount of proceeds from the Issue will not exceed RMB4.8 billion (inclusive), which will be used for the "Sunwoda SiP System Packaging Project", "High-performance Consumer Cylindrical Lithium-ion Battery Project and supplementing working capital after deducting the issuance expenses. The projects funded by the proceeds from the Issue are designed to further improve and supplement existing product families based on the existing main business. Focusing on existing main business of the Company, they are significant deployment of the Company to follow the industrial development trends and respond to the needs of downstream customers. They will help the Company maintain technological leadership, further improve market

share in the lithium-ion battery industry, comprehensive competitiveness and anti-risk ability, and gain new profit growth points.

2. The Company's reserves of human resources, technologies and markets, etc. for the implementation of the investment projects

(1) Human resources

As one of the first enterprises engaged in the production of lithium-ion battery modules in China, the Company has a group of executives and business backbone who are experienced in the design and development of lithium-ion battery modules. The Company's R&D and design team has a deep understanding and grasp of the market changes and trends, technological advancement, the Company's production capacity, upstream raw material performance and downstream demand in the lithium-ion battery module industry. The Company has established a scientific and effective incentive mechanism for R&D personnel, which is conducive to mobilizing the enthusiasm of R&D personnel and improving team cohesion of the R&D team. These human resources are sufficient for project implementation.

(2) Technologies

The Company attaches great importance to research and development and innovation, and boasts strong technical advantages, and uses continuous technological innovation to provide customers with more perfect products and services. The Company is industry-leading in the research and development of lithium-ion battery =for cell phones and notebook computers. The Company has cooperated with a number of domestic prestigious universities and research and development institutions on lithium-ion battery technologies, battery materials and many other topics, such as Tsinghua Shenzhen International Graduate School and Songshan Lake Materials Laboratory. The Company has accumulated profound technical reserves in the field of lithium-ion battery module design and development through continuous product innovation and process improvement, and has achieved fruitful R&D results. The Company's strong technical reserves and R&D capabilities provide strong technical and quality assurance for these investment projects.

(3) Markets

After years of operation and development, the Company has accumulated a large number of quality customer resources and has gained a deep understanding and knowledge of customer needs. As the Company continues to expand its business areas on a large scale and product performance further improves, the Company sees market covering major regions nationwide and overseas. With its customer base expanding year by year, the Company has established long-term and stable relationships with leading consumer electronics manufacturers in the country and even the world. The Company's strong overall strength, good brand reputation and excellent product quality are widely recognized by the market, providing a guarantee for the capacity absorption of these investment projects.

From the above description, the Company has a good foundation in terms of human resource, technology and market to implement these investment projects which focus on the main business of the Company. Depending on the progress of these projects and the actual situation of the Company, the Company will further improve the reserves of human resources, technologies and markets, etc. to ensure the smooth implementation of these investment projects.

(V) The measures of the Company with respect to the immediate return dilution resulting from the Issue

In order to protect interests of investors and ensure the effective use of proceeds raised and prevent the risks of immediate return dilution, so as to enhance the capability to provide returns to shareholders, the Company intends to take the following mitigation and remediation measures:

1. Improving the operational quality, reducing operating costs, increasing R&D efforts, and strengthening the training and introduction of talents

When the proceeds are received and these investment projects are implemented gradually, the assets and business scale of the Company will be further expanded. The Company will continue to strengthen budget management and cost management to comprehensively improve the efficiency of the Company's daily operations, reduce operating costs and thus improve operating results. In addition, the Company will continue to increase the introduction of talents and investment in research and development to further enhance its core competitiveness and improve the incentive mechanism to attract and train more outstanding talents.

2. Ensuring and accelerating the progress of these investment projects and further increasing production capacity and market share

Focusing on the main business of the Company, these investment projects will help expanding the overall scale of the Company, optimizing the product mix and increasing the market share, and thus improving the capital structure, enhancing the capital strength, further enhancing the core competitiveness and sustainable development capability, which is conducive to achieving and maintaining the long-term interests of shareholders.

The Board of the Company has fully demonstrated the feasibility of using the proceeds from the Issue. The implementation of these investment projects will be conducive to enhancing the production capacity, industrial influence and competitive advantage of the Company, and is of strategic importance to the realization of the Company's long-term sustainable development.

Currently, the Company has established good cooperation relationship with outstanding domestic and international customers. After the proceeds from the Issue are available, the Company will accelerate the construction of the investment projects and enhance the efficiency of the Company by enhancing the production capacity and increasing the market share.

3. Strengthening the proceeds management to ensure reasonable and standardized use of proceeds pursuant to the plan

The Company will strictly follow the relevant regulations and laws on the proceeds management and the relevant provisions of the Company's Proceeds Management Measures to regulate the use of proceeds and ensure the full and effective use of proceeds. To ensure the standardized and effective use of proceeds, reasonably prevent risks in relation to the use of proceeds, and improve the efficiency of using proceeds, the Board of the Company will continuously supervise the depositing of the proceeds in a special account, guarantee that the proceeds are used for the prescribed purposes and cooperate with the inspection and supervision over the use of proceeds by the sponsor institution.

4. Continuously improving the profit distribution system to strengthen the investor return mechanism

The Company will continue to strictly implement the cash dividend policy as specified in the Articles of Association in accordance with the relevant requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Lawful Rights and Interests of Small and Medium-sized Investors in the Capital Market, Notice of CSRC on Further Implementation of Matters Relating to Cash Dividends for Listed Companies and Listed Company Regulation Guideline No.3 - Cash Dividend of Listed Companies (2022 Revision), so as to provide continuous and stable returns to investors in the course of the healthy development of the Company's main business. In addition, the Company will, subject to the changes in the external environment and the needs of its own business activities, comprehensively consider the interests of the minority shareholders and make timely improvements to the existing profit distribution system and cash dividend policy. The Board of the Company has formulated the Shareholder Dividend and Return Plan for the Coming Three Years (2023-2025) to continuously strengthen the investor return mechanism and protect the interests of minority shareholders.

(VI) Undertakings issued by stakeholders

1. Undertaking of the controlling shareholder and the actual controller of the Company on implementation of the mitigation and remediation measures for the immediate return dilution resulting from the Issue

In order to ensure the effective implementation of the mitigation and remediation measures made by the Company for the immediate return dilution resulting from the Issue and protect the interests of small and medium-sized investors, Wang Mingwang and Wang Wei, the controlling shareholder and actual controller of the Company, make the following undertaking:

“(1) I will not interfere in the Company's operation and management activities beyond my authority, and I will not encroach on the Company's interests;

(2) I will not provide benefits to other entities or individuals without consideration or on unfair terms nor conduct in any other way that may impair the interest of the Company;

(3) I will earnestly implement the mitigation and remediation measures taken by the Company and relevant undertaking made by me, and I am willing to bear relevant

liabilities to the Company or investors according to laws in case of violation of the undertaking which causes losses to the Company or investors;

(4) For any new regulatory requirements issued by CSRC or the Shenzhen Stock Exchange or other regulatory authorities in relation to the mitigation and remediation measures and undertakings during the period from the date of this undertaking to the completion of the Issue of the Company, which makes this undertaking fail to meet such requirements, I hereby undertake that I will make further undertaking(s) in line with such new requirements;

(5) I undertake that I will earnestly implement the mitigation and remediation measures made by the Company and relevant undertaking made by me, and I am willing to bear relevant liabilities to the Company or investors according to laws in case of violation of the undertaking which causes losses to the Company or investors.”

2. Undertaking of the directors and senior management of the Company on implementation of the mitigation and remediation measures for the immediate return dilution resulting from the Issue

In order to ensure the effective implementation of the mitigation and remediation measures made by the Company and protect the interests of small and medium-sized investors, the directors and senior management of the Company make the following undertaking:

“(1) I will faithfully and diligently perform our duties and safeguard the legitimate rights and interests of the Company and all shareholders;

(2) I will not transfer profit to other entities or individuals free of charge or with unfair conditions or otherwise damage the interests of the Company;

(3) I will incur expenses in performing my duties subject to restrictions;

(4) I will not apply the assets of the Company for any investment or expenditure which is unrelated to the performance of my duties;

(5) The remuneration package formulated by the Board or the Remuneration Committee shall be implemented in line with the mitigation and remediation measures made by the Company;

(6) If the Company intends to implement any Share Incentive Plan in the future, the proposed vesting terms shall be operated in line with the mitigation and remediation measures of the Company;

(7) For any new regulatory requirements issued by CSRC or the Shenzhen Stock Exchange or regulatory authorities in relation to the mitigation and remediation measures and undertakings during the period from the date of this undertaking to the completion of the Issue of the Company, which makes this undertaking fail to meet such requirements, I hereby undertake that I will make further undertaking(s) in line with such new requirements;

(8) I undertake that I will earnestly implement the mitigation and remediation measures made by the Company and relevant undertaking made by me. If I violate this undertaking or refuse to fulfill this undertaking, I agree to be bound to the penalties relevant management measures against me imposed by CSRC or the Shenzhen Stock Exchange or other securities regulatory authorities in accordance with the relevant regulations and rules formulated or issued by them; if I violate this undertaking and cause losses to the Company or investors, I am willing to bear the liability for compensating the Company or investors according to law.”

Sunwoda Electronic Co., Ltd.

Board of Directors

8 March 2023