

## Special Report on the Deposit and Use of Raised Funds in 2023

In accordance with the provisions of the *Regulatory Guidelines for Listed Companies No. 2—Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (2022 Revision)*, the *Guideline No. 6 on the Application of Regulatory Rules on Overseas Securities Offerings and Listings: Guidelines for Overseas Offering of Global Depositary Receipts by Domestic Listed Companies*, the *Shanghai Stock Exchange Guidelines for the Self-regulatory Supervision of Listed Companies No. 1—Standardised Operation* and other relevant normative documents, the report of Keda Industrial Group Co., Ltd. (hereinafter referred to as "Keda Group" or the "Company") on the deposit and use of raised funds in 2023 is presented as follows:

### I. Basic Information on the Raised Funds

By virtue of the *Reply on the Approval of the Initial Public Offering of Global Depositary Receipts and Listing on the SIX Swiss Exchange by Keda Industrial Group Co., Ltd.* (ZH.J.X.K. [2022] No.1279) from the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), the CSRC approved no more than 100 million new ordinary A shares corresponding to the global depositary receipts (hereinafter referred to individually as "GDR" or collectively as "GDRs") offered by the Company. According to the conversion ratio determined by the Company, the number of GDRs offered shall not exceed 20 million.

With the approval of the CSRC and the SIX Exchange Regulation AG, the GDRs offered by the Company were listed on the SIX Swiss Exchange on 28 July 2022, of which the GDR security full name was Keda Industrial Group Co., Ltd. and the GDR listing code was KEDA. Specifically, 12 million GDRs were offered (corresponding to 60 million new ordinary A shares) at the price of USD14.43 per GDR. A total of USD173.16 million was raised.

On 29 July 2022, the funds raised from this offering were remitted to the Company's account for raised funds. After the deduction of some underwriting fees, the actual amount received was USD170.6769 million, the net amount of the funds raised after deducting the issuance expenses is equivalent to RMB1,140.2103 million (converted according to the exchange rate of USD1 to RMB6.7437 on the day when the Company received the raised funds). Zhongxi CPAs (Special General Partnership) verified the funds and issued the *Capital Verification Report* (ZH.X.Y.Z. No. 2022Y00090).

### II. Management of the Raised Funds

#### i. Deposit of GDR funds

In accordance with the *Administrative Measures of Offering and Trading of Depositary Receipts (Trial)* and the *Interim Measures for the Listing and Trading of Depositary Receipts under the Stock Connect Scheme between Shanghai Stock Exchange and Overseas Stock Exchanges*, taking into account the relevant requirements of domestic and foreign regulatory authorities for the management of the deposit of funds raised from GDRs, the aforesaid funds raised from GDRs, totaling USD170.6769 million,

were remitted to the Company's account for raised funds on 29 July 2022. The details are presented as follows:

| Account Name                    | Opening Bank              | Account No.  | Remittance Date | Remitted Amount (USD) |
|---------------------------------|---------------------------|--------------|-----------------|-----------------------|
| Keda Industrial Group Co., Ltd. | Citibank, N.A., Hong Kong | 1/031989/015 | 29 July 2022    | 170,676,851.45        |

#### ii. Use of GDR funds

According to the prospectus of this GDR offering, the raised funds shall be used for the following purposes: Approximately 35% shall be used to build new machinery and equipment production lines, improve the technical levels of existing production lines, expand the production capacity of the Company's core products, and meet domestic and foreign market demand; approximately 10% shall be used to invest in technological R&D and quality control to enhance the Company's core competitiveness and support the Group's expected revenue growth; approximately 30% shall be used to build and improve the production capacity of overseas bases, improve the services provided for overseas customers, and explore opportunities for strategic acquisitions of high-quality peer targets; approximately 25% shall be used to supplement working capital and serve other general corporate purposes.

The net amount of the funds raised from the Company's GDRs is equivalent to RMB 1,140.2103 million (converted according to the exchange rate of USD 1 to RMB 6.7437 on the day when the Company received the raised funds). By 31 December 2023, the Company had used RMB 1,075.0176 million (converted according to the current average exchange settlement rate) out of the funds raised from GDRs, accounting for 94.28% of the net amount of the funds raised, of which, the raised funds used during this Reporting Period amounted to RMB 640.6525 million.

### III. Actual Use of the Raised Funds in this Year

#### i. Actual use of the raised funds

For details on the use of the funds raised from this offering by 31 December 2023, see the schedule entitled "*Comparison Table for the Use of Funds Raised from Overseas Public GDR Offering Project*".

#### ii. Early investment of raised fund investment projects and replacement

During this Reporting Period, the Company did not replace the early investment of raised fund investment projects.

#### iii. Temporary replenishment of liquid capital with idle raised funds

During this Reporting Period, the Company did not temporarily replenish liquid capital with idle raised funds.

**iv. Use of idle raised funds for cash management and investment in relevant products**

During this Reporting Period, the Company did not use idle raised funds for cash management and investment in relevant products.

**v. Use of surplus raised funds**

During this Reporting Period, investment of the Company's raised funds was in progress. There was no use of surplus raised funds.

**vi. Other use of the raised funds**

Apart from the use disclosed above, during this Reporting Period, the Company did not make other use of the raised funds.

**IV. Use of Funds for Altered Raised Fund Investment Projects**

During this Reporting Period, the Company did not alter the raised fund investment projects.

**V. Problems in the Use of the Raised Funds and Its Disclosure**

During the Reporting Period, the Company used the funds raised from the GDR project in accordance with the provisions of relevant laws and regulations and in a timely, fair, true, accurate, and complete manner, performed relevant information disclosure work. There was no rule-violating use or disclosure of the raised funds.

**VI. The conclusive opinion of the accounting firm on the Report**

After conducting an audit, Zhongxi CPAs (Special General Partnership) concludes that the Special Report on the Deposit and Use of Raised Funds in 2023, prepared by the Board of Directors of the Company, is fully compliant with the provisions of the *Regulatory Guidelines for Listed Companies No. 2—Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (2022 Revision)*, the *Guideline No. 6 on the Application of Regulatory Rules on Overseas Securities Offerings and Listings: Guidelines for Overseas Offering of Global Depositary Receipts by Domestic Listed Companies*, the *Shanghai Stock Exchange Guidelines for the Self-regulatory Supervision of Listed Companies No. 1—Standardised Operation*, accurately reflecting all significant aspects related to the Company's utilization of raised funds in 2023.

Schedule: *Comparison Table for the Use of Funds Raised from Overseas Public GDR Offering Project*

Schedule:

**Comparison Table for the Use of Funds Raised from Overseas Public GDR Offering Project**

Unit: RMB10,000

| Total Raised Funds   |  |  |                                  | 114,021.03   |                                | Total Raised Funds Invested in this Year                              |   |  |   |                                | 64,065.25                                  |   |
|--|--|--|----------------------------------|--|--------------------------------|---|---|--|---|--------------------------------|--|---|
| Total Raised Funds with Altered Purposes   |  |  |                                  | N/A  |                                | Total Raised Funds Invested Accumulatively                            |   |  |   |                                | 107,501.76                                 |   |
| Proportion of Total Raised Funds with Altered Purposes   |  |  |                                  | N/A  |                                |   |   |  |   |                                |  |   |
| Committed Investment Projects  | Projects That Have Been Altered, Including Partial Alteration (If Any) | Total Committed Investment with Raised Funds | Adjusted Total Investment Amount | Committed Investment Amount by the End of the Reporting Period (1) | Investment Amount in this Year | Accumulative Investment Amount by the End of the Reporting Period (2) | Difference between Accumulative Investment Amount by the End of the Reporting Period and Committed Investment Amount by the End of the Reporting Period (3)=(2)-(1) | Investment Progress by the End of the Reporting Period (%) (4)=(2)/(1) | Date When the Projects Are Ready for Intended Use | Benefits Recorded in this Year | Whether the Estimated Benefits Are Reached | Whether There Are Material Changes in Project Feasibility |
| Build new machinery and equipment production lines, improve the technical levels of existing production lines, expand the production capacity of the Company's core products, and meet domestic and foreign market demand (35%); | N/A  | 39,907.36                                    | 39,907.36                        | N/A  | 34,242.79                      | 36,106.91   | N/A   | 90.48%   | N/A   | N/A                            | N/A  | N/A   |
| Invest in technological R&D and quality control to enhance the Company's core competitiveness and support the Group's expected revenue growth (10%)  | N/A  | 11,402.10                                    | 11,402.10                        | N/A  | 8,558.41                       | 9,281.99  | N/A   | 81.41%   | N/A   | N/A                            | N/A  | N/A   |
| Build and improve the production capacity of   | N/A  | 34,206.31                                    | 34,206.31                        | N/A  | 21,262.74                      | 33,718.50   | N/A   | 98.57%   | N/A   | N/A                            | N/A  | N/A   |

|   |  |            |            |     |           |            |     |        |     |     |     |     |
|---|--|------------|------------|-----|-----------|------------|-----|--------|-----|-----|-----|-----|
| overseas bases, improve the services provided for overseas customers, and explore opportunities for strategic acquisitions of high-quality peer targets (30%) |  |            |            |     |           |            |     |        |     |     |     |     |
| Supplement working capital and serve other general corporate purposes (25%)   | N/A  | 28,505.26  | 28,505.26  | N/A | 1.30      | 28,394.36  | N/A | 99.61% | N/A | N/A | N/A | N/A |
| Total   | --   | 114,021.03 | 114,021.03 | --  | 64,065.25 | 107,501.76 | --  | 94.28% | --  | --  | --  | --  |
| Reasons for Failing to Reach the Planned Progress (by Specific Raised Fund Investment Project)  | N/A  |            |            |     |           |            |     |        |     |     |     |     |
| Explanations of the Material Changes in Project Feasibility   | N/A  |            |            |     |           |            |     |        |     |     |     |     |
| Early Investment of Raised Fund Investment Projects and Replacement   | N/A  |            |            |     |           |            |     |        |     |     |     |     |
| Temporary Replenishment of Liquid Capital with Idle Raised Funds  | N/A  |            |            |     |           |            |     |        |     |     |     |     |
| Use of Idle Raised Funds for Cash Management and Investment in Relevant Products  | N/A  |            |            |     |           |            |     |        |     |     |     |     |
| Permanent Replenishment of Liquid Capital or Repayment of Bank Loans with Excessive Raised Funds  | N/A  |            |            |     |           |            |     |        |     |     |     |     |
| Amount of the Raised Funds' Closing Balance and Reasons for Occurrence  | By 31 December 2023, the company's GDR raised fund balance was RMB 90.2854 million (converted according to the exchange rate of USD1 to RMB7.0827 in the inter-bank foreign exchange market on December 29, 2023), which was composed of the unused raised funds, net interest income, and exchange differences. |            |            |     |           |            |     |        |     |     |     |     |
| Other Use of the Raised Funds   |  |            |            |     |           |            |     |        |     |     |     |     |

Note: The differences in the last digits between some totals and the direct sum of the addends in this Report, if any, are caused by rounding.

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