

Announcement on the Response to the Information Disclosure Regulatory Inquiry Letter Regarding the 2025 Semi-annual Report

Keda Industrial Group Co., Ltd (“the Company”) received the *Information Disclosure Regulatory Inquiry Letter Regarding the 2025 Semi-annual Report of Keda Industrial Group Co., Ltd.* (Shangzhengonghan [2025] No. 1426, hereinafter referred to as the "Inquiry Letter") from the Shanghai Stock Exchange on September 30, 2025. The Company has conducted a detailed analysis of each item raised in the Inquiry Letter, such as related party transactions, monetary funds and long-term and short-term borrowings, construction in progress and capital outflows, and prepayments, and hereby summarizes the key points of the response as follows:

i. Related party transactions

(1) Related party transactions over the past three years and during the Reporting Period

Over the past three years and during the Reporting Period, the Company had the following related party transactions with Sunda Group Co., Ltd. and Guangzhou Sunda International Trading Co., Ltd. (hereinafter referred to as "Sunda Group"), Guangdong Hongyu Group Co., Ltd. (hereinafter referred to as "Hongyu Group"), Foshan Ceramic Research Institute Group Co., Ltd. (hereinafter referred to as "Ceramics Research Institute"), and their subsidiaries:

Unit: RMB10,000

Related Party	Transaction Nature	Transaction Details	Year 2022	Year 2023	Year 2024	January to June 2025
Sunda Group	Sales to related party	Building materials, raw materials, equipment	59,181.95	84,427.99	76,921.33	35,028.44
	Procurement from related party	Raw materials, labor services	83,802.92	147,317.94	46,806.61	1,227.65
Hongyu Group	Sales to related party	Machinery equipment	3,707.70	648.17	2,706.15	131.86
		Photovoltaic electricity fees	-	-	210.66	106.60
		Lithium-ion battery materials, service fees	5.55	1.93	12.82	-
	Procurement from related party	Processing fees	-	-	180.81	8,399.82
		Ceramic tiles and others alike	69.29	130.66	180.00	4.18
Ceramic Research Institute	Procurement from related party	Ceramic accessories	7,815.33	7,421.47	5,756.51	4,481.58

The Company’s balances with related parties as of the end of each period from 2022 to the first half of 2025 are as follows:

Unit: RMB10,000

Related Party	Transaction Type	As of December 31, 2022	As of December 31, 2023	As of December 31, 2024	As of June 30, 2025
Sunda Group	Accounts Receivable	9,630.22	3,350.31	-	3,843.29
	accounts payable	-	-	3,545.37	-
Hongyu Group	Accounts Receivable	3,409.14	1,259.59	40.57	1,166.86
	Prepaid Accounts	61.84			
	accounts payable		10.84	2,790.86	4,193.55
	Other Receivables	7.09	107.09	7.09	7.09
Ceramic Research Institute	Prepaid Accounts	554.39	742.40	-	636.09
	accounts payable	-	-	460.94	15.00
	payable notes	1,112.91	582.39	709.09	1,506.56
	other payables	-	-	0.50	-

After comparing the corresponding pricing methods, settlement methods, payment arrangements, and changes in transaction scale, the related transactions between the Company and Sunda Group, Hongyu Group, and the Ceramic Research Institute from 2022 to the first half of 2025 are all based on the cooperation background and methods with these parties and the Company's actual business needs. Pricing and payment arrangements of related party transactions are reasonable, and no benefits are transferred to related parties through related party transactions.

(2) Opinions from the independent directors' special meeting

1. Opinions on information disclosure and changes in the scale of related party transactions

Based on the amounts, main contents, specific backgrounds, pricing methods, settlement methods, payment arrangements, and balances of receivables and prepayments at the end of each period of the sales and procurement transactions with the above related parties (namely, Sunda Group, Hongyu Group and the Ceramic Research Institute) over the past three years and during the Reporting Period, we believe that the changes in the scale of sales and procurement transactions between the Company and the related parties have clear business background and reasonable business logic. Among them, the sales and procurement transactions with Sunda Group are based on both parties' cooperation model, and are adjusted in step with the intensive construction and commissioning of building materials production lines to reflect the need to support project construction and market expansion to absorb the added capacity. Subsequently, with the establishment of the Company's overseas headquarters for building materials management, and the gradual expansion and refinement of its own sales network and supply chain system, the proportion of these transactions shows a reasonable downward trend. In addition, the sales and procurement transactions with other related parties also fluctuate normally due to changes in market demand and the Company's actual business needs.

2. Opinions on the necessity and fairness of related party transactions, the reasonableness of payment arrangements, and the presence of benefit transfers

Upon review, the transactions between the Company and the above related parties are all based on the normal business development needs, are all concrete embodiments of the Company's market-oriented operation in different business fields, and are all in line with the Company's business model and operation needs. According to the relevant materials provided by the Company, the sales to Sunda Group are based on the Company's "market first, factory later" strategy for overseas building materials business, and Sunda Group's important role as a "market pioneer" for the joint venture company. It has taken into full account factors such as brand channel development, risk-return matching, etc., and is commercially reasonable. Prices for other related party transactions show no significant differences from those with independent third parties, and the pricing mechanism follows market principles, with fair prices. The settlement method of each related party transaction is determined based on factors such as cooperation history, industry practice, business practice and commercial credit of both parties, and no abnormal clause arrangement has been found.

In summary, the Company does not transfer benefits to related parties through related transactions, nor does it damage the interests of investors, especially the majority of small and medium-sized investors.

(3) Accountant's opinion

Upon verification:

1. The Company's fund transactions and related-party transactions with related parties have all been fully disclosed in accordance with the requirements of the Accounting Standards for Business Enterprises.
2. The changes in the scale of related transactions over the past three years match the expansion of production scale and gradual improvement of its own sales network, and have a reasonable business background.
3. The exclusive sales cooperation model between the joint venture company and Sunda Group has no comparable dealers of the same type. Although the joint venture company's gross margin from selling building materials to Sunda Group is lower than that from selling to non-related parties, it is commercially reasonable and necessary according to mutual agreements on the cooperation model, channel advantages, business region risk levels, and end-market regional pricing. Furthermore, the pricing of other related party transactions between the Company and related parties is fair, and the payment arrangement is reasonable. Related party transactions are necessary and reasonable, and the Company has not been found to transfer benefits to related parties.
4. All transactions between the Company and its related parties involve the flow of goods and have commercial substance. No cases of funds from related party transactions being illegally channeled to related parties have been found.

ii. Monetary Funds and Long-Term and Short-Term Borrowings

By analyzing the specific nature of its deposits, deposit terms, the names of the financial institutions where funds are deposited, the interest rates, the daily average deposit balances, the single-day highest deposit amounts, the transaction volumes, and their purposes, the Company demonstrates that there is no restriction on the use of funds,

such as being pledged, frozen, or used for guarantees to related parties. At the same time, during the Reporting Period, the Company's average balance of monetary capital matched its interest income, and the average balance of interest-bearing liabilities matched its interest expenses. Furthermore, by analyzing the amounts, interest rates, terms, and financing purposes of its main interest-bearing liabilities, alongside its loan costs, financial management model, and fund usage plans, the Company demonstrates that its monetary capital and interest-bearing liabilities are reasonably high, due to the following reasons:

There are many subordinate enterprises of the Company with various business types, different production capacity construction and production schedule, and different operation and development stages, resulting in differences in the deposit and loan structure of each subsidiary, and the combination level shows the characteristics of "high deposit and loan". From the specific situation of each business section, the structure of monetary capital and interest-bearing liabilities matches the actual operation situation, development stage, and fund operation mode of the respective business, which is in line with the operation characteristics of the corresponding business. The company's overall monetary capital and interest-bearing liabilities are maintained at a high level, which is based on the comprehensive consideration of the Company's diversified business structure, group financing management mode, and future strategic development, and has commercial rationality and necessity.

iii. Construction in Progress and Capital Outflows

By analyzing the top five domestic and overseas construction in progress in terms of investment over the past three years and during the Reporting Period, along with the top five suppliers for each project, and reviewing counterparties for individual cash payments exceeding RMB 20 million for the acquisition or construction of fixed assets, intangible assets, and other long-term assets, as well as comparing differences in construction costs per unit of capacity within the industry, the Company demonstrates that the pricing of procurement transactions related to its construction in progress is fair and that no funds have flowed to related parties such as major shareholders or management through channels like construction in progress.

The Company's annual audit accountant expressed opinions on the Company's 2022 to 2024 annual report related to the construction in progress and the outflow of funds, and believed that the Company's suppliers for the construction in progress, fixed assets and other long-term assets procurement have the corresponding qualifications and scale, and have real transaction background and commercial essence. In addition to related party transactions, the project determines the supplier through bidding, and signs the formal purchase and sale contract according to the regulations. The contract price and payment method are normal, there is no refund of large prepayment, and there is no disguised inflow of corresponding funds into related parties or interested parties. From 2022 to 2024, procurement pricing for suppliers of construction in progress, fixed assets, and other long-term assets followed market principles. Some project units' production capacity differed from industry peers due to factors including product types, construction environments, labor costs, production models, and process equipment selection. Differences in settlement terms had reasonable commercial justifications. Transaction funds were disbursed in accordance with contractually stipulated purposes. No instances were identified where company funds flowed to related parties such as major shareholders or management through channels like construction in progress.

iv. Prepayments

By analyzing the specific situation of prepayments with an aging of over one year, the reasons for the significant increase in long-aged prepayments, and the year-on-year growth of prepayments, the Company has conducted a comprehensive self-inspection of the prepayments refunded from 2017 to June 2025. The inspection results are as follows:

The formation background of the Company's prepayment for more than one year is reasonable, the transaction content is in line with the actual business needs of the Company, the relevant counterparties are not associated with the Company, and there is no illegal flow of funds to the related parties of the Company; prepayments with an aging of over one year have a clear background and reasonable business logic; most of the prepayments are still within the contract performance period; except for some prepaid accounts that have not been carried forward due to project adjustments or delays, no major abnormalities have occurred in the execution process of other contracts; and there is no situation of long-term uncarried forward or suppliers' long-term failure to deliver goods.

In September 2017, June 2018 and September 2018, Mr. Bian Cheng occupied RMB 40 million, RMB 30 million and RMB 30 million through the supplier respectively, and the occupied time was 15 days, 29 days, and 30 days respectively. The above funds have been returned in the current period with no balance at the end of the period, and the interest on the corresponding funds has been paid. In addition to the aforementioned capital occupation and supply chain financing requirements, all financial transactions between the Company and other suppliers are based on the Company's genuine business needs and have commercial substance. There is no non-operating occupation of funds by other related parties.

The annual audit accountant expressed opinions on the related party's non-operational capital occupation involving the previous year, and found no other related party's non-operational capital occupation except the above illegal fund transactions.

Keda Industrial Group Co., Ltd.

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This announcement is published in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail.

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